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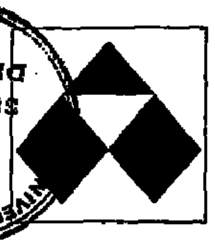

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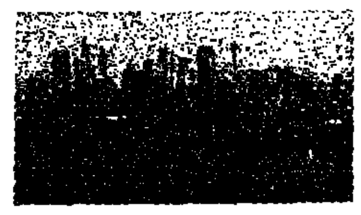


FT NEWSPAPER OF THE YEAR

FINANCIAL TIMES

Europe's Business Newspaper — MONDAY NOVEMBER 16 1992 — D8523A

GM plans mutual aid deal to parts suppliers

General Motors, the big US carmaker in the throes of radical restructuring, is trying to lure some of its parts manufacturers into an unusual form of co-operation. It would involve the parts suppliers setting up operations inside GM plants and using GM labour. The "strategic insourcing" scheme is aimed at helping cut costs in GM's lossmaking North American operations. Page 17

Crash kills 10 in Germany: At least 10 people died and 52 were injured when a German passenger train hit a derailed freight wagon at Northeim on the main Frankfurt-Hamburg line. Rescuers feared more people were trapped beneath a passenger coach. Picture, Page 2

Britain 'breaking EC law': Britain is breaking European Community law by putting too many controls on continental TV programmes broadcast into the UK by satellite, the European Commission says. Internal market commissioner Martin Bangemann has given London two months to respond to the charge. Page 16

German asylum move: Leaders of Germany's Social Democrats supported party chairman Björn Engholm's drive for tigher German laws on political asylum. A special party convention is to decide whether Social Democrats will back constitutional amendments to change the asylum law.

Warning to Unita: Angola's government warned the opposition movement Unita that a new parliament would be convened with or without its participation. "We cannot continue to be prisoners of a party which lost the elections," said deputy foreign minister Johnny Pinock Eduardo. Page 2

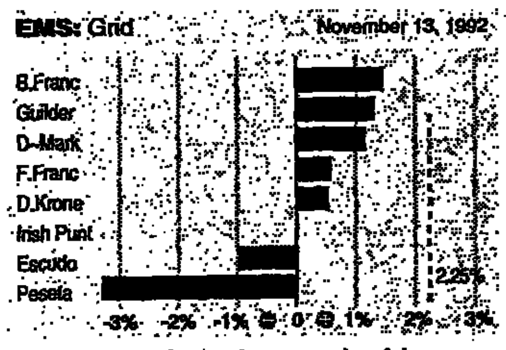
Upbeat on US growth: Bill Clinton's US election victory has made three quarters of leading British institutional investors more optimistic about propsects for US growth, according to a stockbrokers' survey. Page 17

UK tax rise not ruled out: Norman Lamont, Britain's chancellor of the exchequer, refused to rule out introducing higher taxes in his spring Budget. He also warned that UK unemployment, currently at 2.87m, would go on rising. Page 16

Air France protests: Air France president Bernard Attali has protested to EC competition commissioner Sir Leon Brittan that he favoured recent British Airways takeover bids to the detriment of the French airline. Page 2

Middle East peace: Israel will not consider Palestinian demands for talks about independence for the occupied territories until the question of interim self-government is resolved, Israeli foreign minister Shimon Peres said in Egypt. Mubarak in talks, Page 4

European Monetary System: The French franc has moved up one place in the European Monetary System's grid, in spite of last week's cut in the Bank of France's two main dealing rates. The franc overtook the Danish krone to move into fourth place in the grid, just below the D-Mark. Its improved performance signals that dealers are awarding a premium to currencies whose central bank cuts interest rates to try to stimulate growth. Currencies, Page 29



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the EMS's narrow 2.25 per cent fluctuation band. In practice, currencies in the narrow band cannot rise more than 2.25 per cent from the weakest currency in that part of the system. The Spanish peseta and Portuguese escudo operate with 6 per cent fluctuation bands.

$3.7m seatbelt verdict: A federal jury in Tampa, Florida, ordered US carmaker General Motors to pay $3.7m to a man paralysed in a 1986 road crash. The jury found GM negligent for failing to install rear-seat shoulder restraints.

Suez Canal plans: Egypt has opted for a modest plan for expanding the 120-year old Suez Canal. Sluggish world trade meant more ambitious proposals could not be supported, Suez Canal Authority chairman Mohammed Ezzat Adel said.

Dutch crash victims seek compensation: Almost 200 Dutch victims of last month's El Al 747 cargo jet crash have engaged a US law firm to pursue compensation from Boeing, the aircraft's manufacturer. Arthur Ballen of New York-based Speiser, Krause and Madole said his firm would first seek an out-of-court settlement.

Tanker adrift off Malaysia: Marvin 1, a Honduran-registered oil tanker, has been found drifting crewless and half submerged in the South China Sea off Malaysia. Officials said they had not received any distress calls.

Indian floods: More than 230 people are thought to have died in a four days of torrential rain in the southern Indian state of Tamil Nadu.

In the red: Finland's Communist party, one of the world's oldest, is filing for bankruptcy. Its debts and liabilities total about FM95m ($19.1m).

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft192	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira30	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

Dispute over trade talks revived by leaked report

By David Gardner in Brussels

A DOCUMENT leaked to a French newspaper from an alleged European Commission source yesterday revived the bitter dispute over EC concessions to the US on world trade three days before the resumption of crucial talks in Washington.

The document contains figures which purport to prove that Mr Ray MacSharry, EC agriculture commissioner, is going beyond the price and production cuts agreed under reforms of the Common Agricultural Policy (CAP) in his farm trade negotiations with the US.

An official close to Mr MacSharry said it looked like a French attempt to undermine the negotiations. These "are certainly not official figures", he said, adding: "It's a fabrication."

The leak comes just as the internal Commission battle over the General Agreement on Tariffs and Trade (Gatt) and European agriculture appeared to have ended. Mr MacSharry returned as negotiator last Tuesday having angrily resigned, accusing Mr Jacques Delors, the Commission president, of undermining the negotiations and siding with his native France.

EC-US talks aimed at settling their oilseeds row and agreeing farm subsidy cuts under the Uruguay Round of the Gatt talks resume on Wednesday night in Washington.

The leaked document, carried by the Paris newspaper, Libération, confirms that the battleground will remain whether any Gatt deal brought back from Washington is compatible with the CAP reform.

It claims that the 10m-tonne ceiling on production of oilseeds being offered to the US by Mr MacSharry would require 21 per cent of land to be taken out of production, against the 15 per cent "set-aside" agreed now.

If the US demand for an EC output ceiling of 9m tonnes were accepted, idle land could reach 38 per cent, the document maintains. However, the document forecasts oilseeds output this year of 12.5m tonnes, sharply at variance with the official Commission forecasts of 11.4m tonnes.

Mr MacSharry's department maintains that what the Commission is offering in the Gatt talks is well within CAP output and subsidised export projections on cereals, beef and dairy produce.

These projections were thrashed out by the member states – including France – in order to fix a budget for the new CAP.

However, France, under pressure from its farmers, has argued against a Gatt deal on the terms being sought by the Commission.

Paris claims that farmers will be faced with cuts beyond those agreed this year in the CAP reform. Its main objection is that the 21 per cent cut in the volume of subsidised food exports prescribed by Gatt will hit its big farm trade surplus.

France is expected to go on the offensive when EC farm ministers meet today, having last week lost its battle to get the Community to prepare for a trade war with the US.

Washington has announced $300m in punitive tariffs from December 5 on EC food exports as a sanction on Community oilseeds subsidies, which have twice been condemned by the Gatt.

Zero growth forecast for western Germany

By Quentin Peel in Bonn

THE "five wise men" who give independent economic advice to the German government will today forecast a zero real growth rate for the western economy in 1993, the most pessimistic assessment of German economic prospects to date.

Although they expect a slight recovery in the economy in the second half of the year, this will not be enough to outweigh the downturn of the next six months, they say.

Unemployment in west Germany next year will rise by about 340,000 from its present level of 1.83m. In east Germany it will be up by another 150,000 from the current 1.09m in spite of great efforts to soak up eastern job losses in job creation, short-time working, and retraining schemes.

The first details of the report of the "five wise men" – leading economics professors hired to give the government independent advice – were circulating in Bonn yesterday and provide significantly more pessimistic forecasts than the five leading economic institutes, which reported earlier this month.

The institutes predicted a 0.5 per cent growth rate for gross national product and gross domestic product in 1993, but stressed even that would require a clear relaxation in the Bundesbank's strict monetary policy, including lower interest rates.

Both reports are much more pessimistic than the government's own economics ministry, which is still looking for western German growth of between 1.0 and 1.5 per cent next year, although that is already a reduction from the forecast of 2.5 per cent it made last June.

Gloom over Germany's economic prospects has grown rapidly in the past three months, as it has become evident that industrial orders were sharply down, including investment in plant and equipment, and that there was no prospect of early relief from the export market.

As far as east Germany is concerned, the five wise men expect a growth rate of 6.5 per cent, compared with a forecast of 7.5 per cent from the economic institutes. They are believed to forecast an inflation rate of 3.5 per cent in the west, and 8.5 – 9.0 per cent in the east (particularly reflecting higher rents).

The wise men are expected to focus particularly on the failure of the 16 federal states (Länder) to curb their spending to the same extent as the central government. Instead of keeping to a maximum budget spending increase of 3.0 per cent next year,

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■ Job satisfaction higher in east Germany than west
Page 14
■ Cracks behind the unity

A Danish UN soldier tries to lead the convoy of buses taking about 600 Serb refugees to Belgrade from Sarajevo

UN fuel embargo on Serbia flouted

By Laura Silber in Belgrade

SCORES OF petrol tankers are crossing international borders into Serbia in violation of UN sanctions designed to end fighting in Bosnia-Hercegovina, the former Yugoslav republic.

At the weekend, a stream of lorries plied barely monitored routes in and out of Serbia and Montenegro, which make up the reconstituted, though unrecognised, Yugoslav federation. They are heading for petrol stations in Serbia, where fuel supplies appear now to be plentiful.

The UN Security Council is today expected to consider measures to close loopholes in sanctions on Belgrade. It is due to debate a ban on transit through the former Yugoslavia including strict measures to control shipping along the River Danube and Adriatic ports in Montenegro.

The UN imposed sanctions, including a trade and oil embargo, on May 31. They are designed to put pressure on Serbia to end bloodshed in Bosnia-Hercegovina, where Serb-backed forces have taken over large swathes of territory.

Road traffic was halted this summer as queues for petrol snaked throughout Serbia. Many petrol stations closed and tens of thousands of workers were sent on "forced holidays".

But after five months of sanctions, Serbia has secured fresh supplies through a wide network of black marketeers. Organised crime also appears to be involved in the importing. At least 14 private petrol stations have opened in Serbia in the past two months, all licensed by Serbian authorities.

European diplomats believe the effect of renewed petrol supplies on public morale will help Serbian president Slobodan Milosevic and his ruling Socialists at the polls in elections due to be held on December 20.

Tankers bearing number plates from Serb-held cities in Bosnia are daily crossing the border into Bulgaria, Greece and the former Yugoslav republic of Macedonia, returning laden with petrol for Serbia.

Western diplomats say petroleum-based products are also being shipped from Romania along the River Danube. They say oil is also being supplied from Russia and the Ukraine.

At the weekend, snow blanketed the winding mountain road to Kriva Palanka, a mining town in eastern Macedonia near the Bulgarian border. Macedonian border police say that despite its remote location, it is one of many routes used to transport petrol. They say Bulgarian tankers regularly deliver petrol to Serbia despite Bulgaria's call for the stepping-up of sanctions.

Meanwhile, fighting continues in Bosnia. A UN-brokered ceasefire among Serb, Croat and and Moslem military leaders was widely violated at the weekend. Fighting was reported in Sarajevo, the Bosnian capital, and in northern Bosnia as Serb forces launched an offensive on Maglaj, one of the last strongholds of the mainly Moslem Bosnian forces.

Editorial Comment, Page 14

Italy to privatise banks as part of $20bn sell-off plan

By Robert Graham in Rome

THE Italian government is planning a radical reduction in state control of the Italian banking and financial system as the central feature of a far-reaching privatisation programme submitted to parliament at the weekend.

The programme is intended to raise L27,000bn ($19.9bn) over the next three years through divestments by ENI, the state oil concern, Enel, the electricity authority and INA, the insurance institute. In August these groups became publicly quoted companies owned by the Treasury

The plan, prepared by six prominent economists and bankers in conjunction with the Treasury, will be the most extensive privatisation undertaken in continental Europe. Until now the 4½ month old government headed by prime minister Giuliano Amato has only announced two firm privatisations – Credito Italiano, the sixth largest commercial bank, and Nuovo Pignone, ENI's turbines subsidiary.

The funds going to the Treasury will be separate from those raised by IRI, Italy's state holding company, which will be used to pump fresh capital into subsidiaries and reduce its debts of more than L60,000bn. All banking interests held by IRI – Credito Italiano (67 per cent), Banca Commerciale Italiano (55 per cent) and Banca di Roma (35 per cent) – will be sold within two years. The stake in Credito alone could raise L7,000bn.

The Treasury will also seek external funding for L2,500bn-L3,000bn to recapitalise BNL, Italy's second largest commercial bank, while selling off its subsidiary Efibanca. Plans are being drawn up for the sale of the Treasury's 50 per cent stake in IMI, the financial services group, valued by Warburgs at L4,000bn.

The state controls directly and indirectly two-thirds of the banking and financial system. If parliament endorses the plan, the state will by 1996 have largely withdrawn from this sector and substantially reduced its presence in others. Under the plan the Treasury would hold "significant... minority" shareholdings in the advanced engineering, air transport, banking, chemicals, civil engineering, electricity, insurance, large-scale retailing and telecommunications sectors.

Under the plan these residual stakes would eventually be placed in a new publicly quoted company with the Treasury retaining 51 per cent of the stock. This means that IRI, Italy's largest holding company since the 1930s, would eventually cease to exist. Mr Amato wants parliament to approve one of three suggested methods of supervising the privatisation process.

The aim is to make extensive use of the bourse in the sell-offs. In the past two weeks, there has been feverish speculation in several of the state-controlled companies already quoted, prompting

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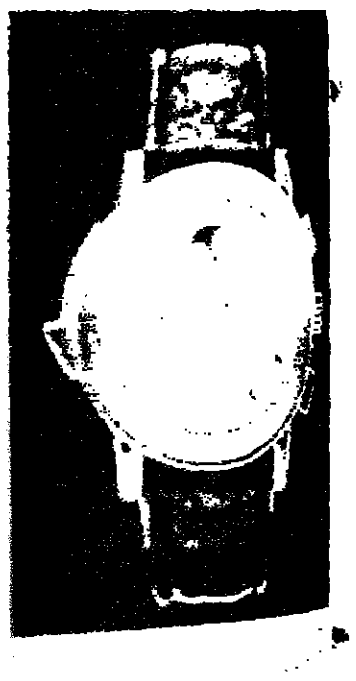


NEWS: INTERNATIONAL

Dispute delays EC push for Japan trade

By Charles Leadbeater in Tokyo

A EUROPEAN Commission initiative to try to open up Japanese markets for European companies is well behind schedule because of disagreements between the Commission and the Japanese government over how it should be conducted.

A joint working group to monitor EC trade with Japan is likely to get under way by late spring next year, far later than the Commission had hoped.

The analysis of EC trade with Japan, which the Commission proposed in May as a central plank of its economic dialogue with Tokyo, was supposed to provide the basis for an annual ministerial review of the issue.

The project could provide the first test of whether the general joint EC-Japan declaration on political and economic co-operation adopted at The Hague last year will lead to detailed economic policy recommendations.

The Japanese government reluctantly agreed to set up the working group in response to the European Community's mounting concern about its growing trade deficit with Japan, which is likely to reach record levels this year.

However, the working group has yet to start work because the scheme has been dogged by disputes over the proper statistics to use. The initiative has been delayed in part because it has taken much longer than expected to collect the relevant information from Community member states.

The scheme was heralded as the start of a more comprehensive and rigorous EC approach to trade with Japan when it was announced in May in a Commission report to the Council of Ministers.

The proposal was partly a response to the development of bilateral trade talks between the US and Japan which Community officials fear will disadvantage European companies in the Japanese market. The US has been reviewing access to the Japanese market through the Structural Impediments Initiative launched in 1989.

The Commission's report noted that the Community's exports to Japan fell by about 4 per cent last year, while the *EC's trade deficit with Japan* rose by 25 per cent to Ecu29.5bn (£23.98bn). Japan's trade surplus with the EC was worth $16.3bn (£10.7bn) in the first half of this year, fuelled by an 11 per cent rise in Japanese exports to Europe.

Under the plan, the Commission would identify obstacles which EC companies face in the Japanese market, partly by comparing their performance in Japan with their exports to similar markets.

The Commission says it will "then proceed to a regular and systematic evaluation with the Japanese authorities of the results of the analysis. This analysis should lead to recommendations on the measures required to advance the penetration of Japanese markets by Community companies".

Luanda warns Unita

THE Angolan government put Unita on notice yesterday that a new parliament would be convened regardless of whether the opposition movement took part, Reuter reports from Luanda. "Parliament will function with or without Unita," said Mr Johnny Pinock Eduardo, deputy foreign minister. "We cannot continue to be prisoners of a party which lost the elections."

Unita began a military advance after rejecting results of Angola's first multi-party elections in September, which gave the MPLA government a hefty parliamentary majority. President Jose Eduardo dos Santos narrowly failed to win enough votes to avoid a run-off with Unita's Mr Jonas Savimbi, his foe in the civil war that ended in peace accords signed in May 1991.

The Luanda government is to convene Angola's parties this week to discuss forming a new parliament and national unity government, and holding another round of presidential elections.

India rejects rapid tariff cuts

By Stefan Wagstyl in New Delhi

NEW DELHI has ruled out drastic import tariff cuts as part of its programme of economic reform.

Mr Ashok Desai, the finance ministry's chief economic adviser, said tariffs had been cut by 10 per cent since the reforms started last year and would continue to come down at about the same rate. "The average tariff can't fall at more than a certain rate which is fairly slow," Mr Desai told a businessmen's conference.

India's import duties are among the world's highest, and constitute a key barrier protecting Indian industry from external competition.

Mr Desai's comments will dash the hopes of foreign companies which believed the reform programme would rapidly open Indian markets to foreign products. But they will reassure many Indian industrialists who have expressed concern that they have been given insufficient time to prepare for the rigours of international competition.

Preston, left, has praised reforms initiated by Rao, right

Mr Desai's remarks come amid a stream of signals from the government that the pace of economic deregulation will be slower than expected when Mr Narasimha Rao, the prime minister, embarked on liberalisation in July 1991. Recently, the government has backed away from a rapid move towards the full convertibility of the rupee on the trade account. Hampered by the scandal in the Bombay securities market, it has held back planned financial reforms.

Mr Rao has indicated that agriculture would continue to enjoy heavy state support. He has diluted the impact of cuts in fertiliser subsidies by increased support for farmers buying fertilisers. A long-awaited policy paper on agriculture adopted by the cabinet said the government would continue to play a central role in guaranteeing "remunerative prices for the farming community".

The International Monetary Fund and World Bank have so far expressed satisfaction with India's progress. Mr Lewis Preston, World Bank president, has praised the reforms. But he and other senior officials have also urged India to press ahead rapidly with further deregulation.

Mr Preston, who flew to Calcutta yesterday on the final leg of his Indian visit, said maintaining the momentum of the reforms was essential. But a safety net was important to ease the shock of moving to a more market-oriented economy.

"No shortage of requests" for new borrowings had come from the federal and state governments during his visit, Mr Preston said. But India must contribute by funding basic infrastructure and raising the prices of commodities, such as electric power. "The government, at federal and state levels, has an essential role to play in developing India's infrastructure and investing in its people."

INTERNATIONAL ECONOMIC INDICATORS: NATIONAL ACCOUNTS

Figures for GNP/GDP are in billions of European currency units (Ecu). The first breakdown is in current prices and the second shows growth rates in the constant price series.

CURRENT PRICES	UNITED STATES Gross National Product	Private Cons. (as a % of GNP)	Private Invest.	Govt. Spend.	Net Exports	JAPAN Gross National Product	Private Cons. (as a % of GNP)	Total Invest.	Govt. Cons.	Net Exports	GERMANY Gross National Product	Private Cons. (as a % of GNP)	Total Invest.	Govt. Cons.	Net Exports
1985	5,317.6	65.8	17.6	19.1	−2.9	1,780.2	58.7	28.0	9.5	3.7	825.5	56.4	19.5	19.9	4.1
1986	4,349.2	66.6	16.8	19.5	−3.1	2,033.3	58.4	27.7	9.6	4.3	911.2	55.0	19.5	19.7	5.7
1987	3,937.8	67.2	16.5	19.4	−3.1	2,102.2	58.4	28.4	9.4	3.8	967.5	55.3	19.2	19.8	5.6
1988	4,147.8	67.2	16.2	18.7	−2.2	2,466.0	57.5	30.4	9.1	2.9	1,015.6	54.7	20.0	19.6	5.8
1989	4,780.6	66.9	15.8	18.5	−1.5	2,625.2	57.3	31.5	9.1	2.1	1,087.2	54.4	20.6	18.6	6.4
1990	4,349.0	67.6	14.4	18.8	−1.2	2,328.4	57.0	32.6	9.0	1.4	1,189.4	54.1	21.0	18.2	6.7
1991	4,596.0	68.3	12.7	19.1	−0.4	2,738.1	56.4	32.0	9.1	2.5	1,287.1	53.9	21.2	17.8	7.1
3rd qtr.1991	4,881.0	68.4	12.8	19.1	−0.5	2,850.5	56.8	32.1	8.7	2.4	1,299.6	53.4	22.1	17.8	7.5
4th qtr.1991	4,593.7	68.4	12.8	18.9	−0.3	2,848.7	56.3	31.2	9.5	2.9	1,306.0	54.1	20.8	17.8	7.3
1st qtr.1992	4,642.2	68.7	12.3	18.8	−0.1	2,881.5	56.6	31.1	9.2	3.2	1,346.4	53.6	22.0	17.8	6.7
2nd qtr.1992	4,646.7	68.7	13.1	18.8	−0.6	2,848.8	56.7	31.0	9.0	3.1	1,354.6	53.3	21.7	17.9	7.1

CURRENT PRICES	FRANCE Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest.	Govt. Cons.	Net Exports	ITALY Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest.	Govt. Cons.	Net Exports	UNITED KINGDOM Gross Domestic Product	Private Cons. (as a % of GDP)	Total Invest.	Govt. Cons.	Net Exports
1985	691.8	60.8	18.9	19.6	0.7	561.8	62.6	22.5	16.7	−1.9	606.5	61.3	17.1	20.7	0.9
1986	746.1	60.2	19.6	19.2	1.0	615.7	62.2	20.9	16.5	0.4	573.7	63.1	16.9	20.6	−0.7
1987	770.5	60.6	20.2	19.1	0.1	658.4	62.4	21.0	16.9	−0.3	600.9	63.2	17.8	20.2	−1.1
1988	815.2	59.8	21.4	18.7	0.1	710.5	61.9	21.5	17.1	−0.5	709.5	64.1	20.1	19.5	−3.6
1989	877.7	59.5	22.1	18.3	0.1	790.8	62.4	21.3	16.9	−0.6	766.0	64.1	20.6	19.2	−4.0
1990	938.1	59.8	22.1	18.2	0.0	861.1	62.5	20.7	17.7	−0.4	770.2	63.6	19.0	20.0	−2.8
1991	969.3	60.2	20.9	18.6	0.3	932.1	62.3	20.3	17.7	−0.5	820.6	64.0	15.7	21.2	−0.9
3rd qtr.1991	979.4	60.0	21.2	18.5	0.3	947.9	62.3	20.9	17.6	−0.8	834.1	63.9	15.3	21.4	−0.6
4th qtr.1991	988.4	60.4	20.1	18.7	0.8	956.9	62.7	20.2	17.5	−0.4	829.4	64.2	15.7	21.2	−1.1
1st qtr.1992	1,007.1	59.9	20.4	18.5	1.1	968.1	63.2	19.7	17.4	−0.3	826.4	64.4	15.5	21.4	−1.4
2nd qtr.1992	1,021.7	59.8	20.0	18.6	1.6						850.9	64.4	15.1	21.7	−1.2

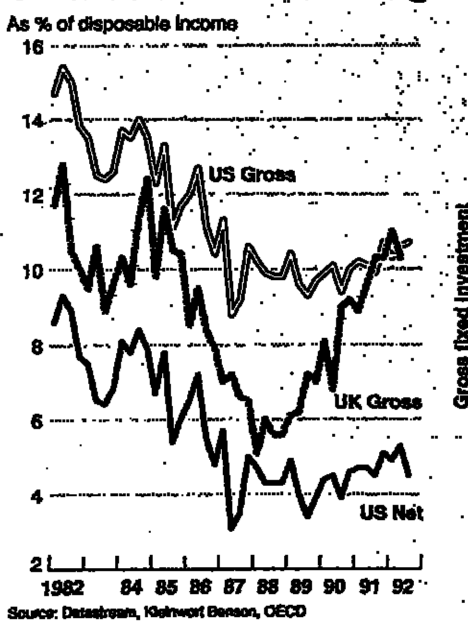
CONSTANT PRICES (% growth in)	US GNP	Cons.	Invest.	Govt.	Exports	JAPAN GNP	Cons.	Invest.	Govt.	Exports	GERMANY GNP	Cons.	Invest.	Govt.	Exports
1985	2.9	4.4	−1.5	6.1	1.2	5.1	3.3	6.5	1.7	6.5	2.1	1.5	−0.9	2.0	7.6
1986	2.8	3.6	−1.5	5.2	6.6	2.7	3.4	4.3	4.5	−5.3	2.2	3.4	3.9	2.5	−0.1
1987	3.0	2.8	1.9	3.0	10.5	4.3	4.2	8.2	0.4	4.6	1.4	3.3	1.2	1.5	0.5
1988	4.0	3.6	3.2	0.6	15.8	6.3	5.2	14.2	2.2	10.7	3.5	2.5	7.8	2.2	5.6
1989	2.7	1.9	1.4	2.0	11.9	4.8	4.3	9.6	2.0	15.0	4.0	3.0	6.7	−1.6	11.9
1990	0.9	1.2	−5.7	2.8	8.1	5.3	4.3	8.6	1.9	10.6	5.0	5.3	7.1	2.4	11.7
1991	−1.2	−0.6	−10.6	1.2	5.8	4.4	2.6	3.5	3.4	5.1	3.6	3.6	4.2	0.5	12.7
3rd qtr.1991	−1.1	−0.7	−9.6	1.7	7.0	4.3	2.8	2.6	3.6	7.2	2.7	1.6	5.3	0.6	11.1
4th qtr.1991	−0.3	0.0	−0.5	−0.6	7.4	3.2	3.0	−0.3	2.3	6.1	1.3	1.8	−1.9	2.2	6.6
1st qtr.1992	1.4	2.0	3.5	−0.9	9.6	2.2	3.4	−1.4	1.9	3.8	1.2	0.6	6.3	3.6	3.4
2nd qtr.1992	1.4	1.5	9.9	−1.2	5.1	1.8	1.6	−0.7	0.3	3.0	1.1	−0.4	0.1	2.8	3.7

CONSTANT PRICES (% growth in)	FRANCE GDP	Cons.	Invest.	Govt.	Exports	ITALY GDP	Cons.	Invest.	Govt.	Exports	UK GDP	Cons.	Invest.	Govt.	Exports
1985	1.9	2.4	2.8	2.3	1.9	2.6	3.0	1.8	3.4	3.2	3.9	3.8	3.5	0.0	5.9
1986	2.5	3.9	8.8	1.7	−1.4	2.9	3.7	1.4	2.6	2.5	4.1	6.4	2.2	1.8	4.7
1987	2.3	2.9	5.1	2.8	3.1	3.1	4.2	4.6	3.4	4.7	4.8	5.5	10.2	1.2	5.6
1988	4.5	3.3	9.8	3.4	8.1	4.1	4.2	6.3	2.8	5.4	4.4	7.4	18.1	0.6	−0.1
1989	4.1	3.3	7.8	0.3	10.2	2.9	3.5	2.3	0.8	8.8	2.1	3.3	5.2	0.9	3.8
1990	2.2	2.9	2.2	1.9	5.5	2.2	2.8	2.0	1.3	7.8	0.6	0.7	−7.4	3.2	4.9
1991	1.2	1.5	−1.8	2.9	3.6	1.4	2.8	1.4	1.7	−0.8	−2.2	−2.1	−13.1	2.8	0.3
3rd qtr.1991	1.5	1.5	−1.6	3.3	6.0	1.1	2.5	3.2	1.7	−3.8	−1.9	−2.2	−13.4	3.2	3.0
4th qtr.1991	1.9	2.1	−2.8	2.7	5.0	1.7	2.5	6.1	1.5	−1.7	−1.1	−2.0	−3.6	1.6	2.2
1st qtr.1992	2.7	2.2	−1.5	2.3	8.4	1.8	2.6	7.1	1.4	3.9	−1.3	−1.6	−0.1	1.6	4.5
2nd qtr.1992	2.4	1.4	−0.2	2.4	6.3	1.5	2.2	2.6	0.9	2.9	−0.8	0.0	4.2	-0.5	2.5

Seasonally adjusted data used in all cases. Statistics for Germany apply only to western Germany. GNP/GDP is broken down into private consumption expenditure, investment (the sum of gross fixed capital formation and the change in stocks), general government final consumption, and net exports (exports of goods and services minus imports of goods and services). The US includes investment by government in the government series rather than under investment. Quarterly GNP/GDP totals are annualised. The growth rates are the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. The figures in the fifth column of each set of growth rates refer only to exports, rather than to net exports. Data supplied by Datastream and WEFA from national government sources.

UK & US household savings

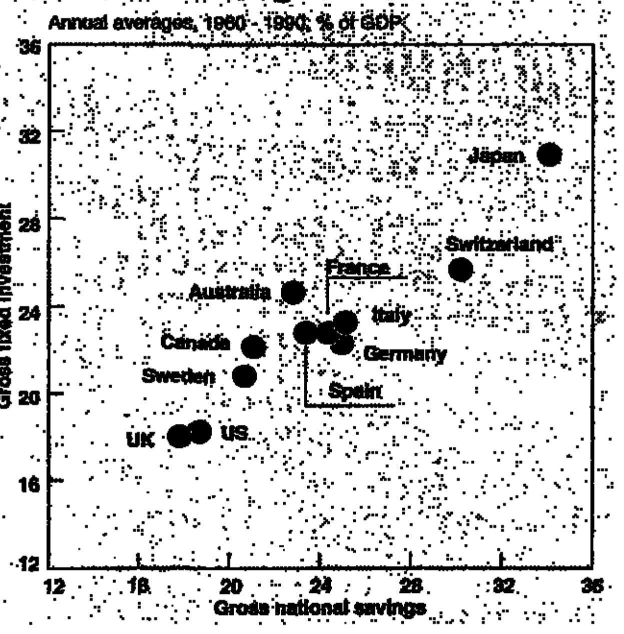
As % of disposable income



Source: Datastream, Kleinwort Benson, OECD

National savings & investment

Annual averages, 1980 - 1990, % of GDP



Unpicking the US and UK savings paradoxes

BOTH THE US and Britain, according to conventional economic wisdom, have savings problems. But is their shared problem too much or too little saving? The answer, confusingly, is that both statements are true.

The depth of the UK recession, and the failure of economic forecasters to predict its lingering nature, is largely explained by the uncharacteristic willingness of consumers to save rather than spend. Since 1988, the UK household savings ratio has doubled from a 1980s low of 5.1 per cent to 11 per cent in the first quarter of 1992. This occurred because consumer borrowing, which counts as negative saving, has dropped sharply.

The UK personal savings ratio is still lower than its main European competitors although it is now roughly comparable. The household *savings ratio in 1991 was 13.7 per* cent in Germany, 12.7 per cent in France and 15.6 per cent in Italy.

The US, according to the released data, has a much lower household savings ratio. According to the latest data, the US household savings ratio was a mere 4.5 per cent in the third quarter of this year, down from 5.3 per cent in the previous quarter but still well above its 1980s low of 3.1 per cent in 1987. The implication is that US consumers cannot increase their consumption as much as can UK consumers by reducing their rate of savings.

Yet this transatlantic comparison is misleading. The US household savings ratio refers to personal savings and income, net of depreciation charges, rather than to gross savings and income as is the normal practice in Europe. In 1990, the US authorities deducted $229m (£151.6m) to cover the depreciation of fixed household assets, equiva*lent to 6 per cent of total consump*tion. Half of this depreciation applies to the decline in the imputed value of housing wealth.

Mr Albert Edwards, an economist at Kleinwort Benson Securities, the investment bank, has calculated the gross US household savings ratio by restoring these depreciation charges. His adjusted US gross savings ratio is shown in the left-hand chart.

The UK gross household savings ratio has, in fact, been converging on US levels in recent years. UK gross household savings fell much further than US savings in the 1980s but have since caught up. The US gross ratio was 10.7 per cent in the third quarter of this year while the latest UK figure was 10.3 per cent in the second quarter. Both countries need a fall in household savings to fuel recovery.

Yet the medium-term economic performance of both countries has *been hampered by too little national* savings, not too much. National savings is the sum of private and public saving. The US government has been a net borrower throughout the 1980s while the UK government is expected next year to have twice as large a budget deficit, relative to the size of its economy, as the US.

In theory, there should be little relationship between rates of national savings and investment so long as low-saving countries are free to borrow internationally. In fact, the correlation between national savings and investment over the past 30 years is strong, as the right-hand chart shows. High saving countries have tended to invest a higher share of their national output, a relationship that has persisted throughout the 1980s. That is why the new US administration aims to raise the US national savings rate, and why that means tackling the budget deficit.

Edward Balls

هكذا أصبح الأجل

US denies that west has failed to keep its promises over financial help for Moscow

Russia told to get its reform act together

By George Graham in Washington

THE US administration is growing increasingly irritated by complaints that the west has failed to keep promises to help Russia, and wants President Boris Yeltsin's government to follow through on the economic reforms it must put in place before more money can be provided.

"The issue is one of Russian reform, not of the extent to which the west has been responsive. The ball lies primarily in their court," said a senior US Treasury official.

US and other western officials have been piqued by criticism voiced mostly by economic advisers to the Russian government such as Professor Jeffrey Sachs of Harvard University and Professor Anders Aslund of the Stockholm Institute of East European Economics.

The latter last week accused the west of hypocrisy and indecision in failing to provide funds to support Mr Yeltsin's economic reform programme, and said western nations suffered from a "prejudice that Russia can only be ruled by a Stalin in the Kremlin".

US Treasury officials reject this charge. They say the west has lived up to the $24bn aid programme announced in April by President George Bush and Chancellor Helmut Kohl in partnership with their partners in the Group of Seven leading industrial nations.

Around $11bn of the G7 package was to come from bilateral aid; finance ministry officials say they are on course to meet that goal by the end of the year. In addition, the US is pushing hard for the rapid completion of a debt rescheduling to strengthen Mr Yeltsin's hand before the Russian congress convenes for a new session on December 1. If accomplished, this debt package would go further than the $2.5bn of relief originally projected under this heading in the G7 deal.

The only parts of the $24bn package which have not yet materialised are funds from multilateral institutions. The biggest portion, some $4bn, was to have come from the International Monetary Fund, but Russia has so far received only a preliminary credit tranche of $1bn.

Western financial officials, blame Russia for not only failing to produce an economic programme to support a full IMF standby agreement, but for missing even the economic targets set as conditions for the first credit tranche.

Government spending has not been brought under control, and new credits to state-controlled enterprises in the third quarter alone exceeded the target set for the whole of the second half of this year.

"The multilateral financing is contingent not on what the west does but on what Russia must first do," a senior US official said.

Moreover,a $6bn rouble stabilisation fund included in the G7 package cannot be set up until a standby agreement has been achieved, and has clearly been pushed off into the future, the official said.

Details of the rescheduling deal has not yet been worked out, but US officials say that they are making good progress in talks with the other G7 members and hope to reach an agreement this month.

WHITE RUSSIAN: President Boris Yeltsin takes a tennis break from political problems. The ball is firmly in his court, say US officials, if he wants more economic help from the west.

Yeltsin and industry leaders cement alliance

By Leyla Boulton in Moscow

RUSSIA'S industrialists cemented a new alliance with President Boris Yeltsin at the weekend when they promised to support his market reform strategy in return for an agreement by the government to compromise on its policies.

After attending a congress of the Russian Union of Industrialists and Entrepreneurs on Saturday, the president said he had previously underestimated directors of state-owned plants as a source of support.

The industrialists' main lobby group in turn issued a statement supporting "the president's reform course" but demanding changes to avert "deindustrialisation", to provide decent living conditions for all, and to avoid mass unemployment.

However, Mr Yeltsin, who two years ago likened a fatal compromise on the radical 500-Day Programme to "mating a hedgehog with a snake", insisted there were certain compromises he would not make. He told the industrialists that Rbs1 trillion in fresh credits promised last week by Mr Viktor Geraschenko, central bank chairman, would not be forthcoming because they would trigger hyperinflation.

He also ruled out any attempt to restore price controls or the old system of state orders under which the government supplies enterprises with the inputs they need to carry out state procurement. Both the latter are included in a programme presented by Civic Union, the opposition umbrella group of which the industrialist lobby is a key component.

A compromise between the two sides is already being negotiated behind the scenes, and to a certain extent, achieved in everyday life with constant concessions by the government, which has all but given up its commitment to Polish-style shock therapy.

Before the industrialists even met, Mr Yegor Gaidar, acting prime minister, asked Mr Anatoly Chubais, his deputy responsible for privatisation, to set up a task force with Mr Arkady Volsky, leader of the industrialists and a key Civic Union figure. Its job will be to merge an alternative Civic Union programme with the government's latest anti-crisis plan.

The gathering, in a Moscow bearings factory, simply rubber-stamped the compromising ahead of a critical session of the Russian super-parliament which will try to strip Mr Yeltsin of his emergency powers and his right to appoint the government when it meets on December 1. "This congress was only a small part in a great political game," said one of Mr Volsky's colleagues.

Meanwhile, General Pavel Grachev, defence minister, denied the government had been contemplating imposing emergency rule. He said that emergency powers were needed to impose order in crisis spots such as North Ossetia and the former Chechen-Ingushetia, where up to 300 people have been killed in fighting over land between local ethnic groups. Mr Dzhokar Dudayev, self-styled leader of breakaway Chechnya, declared his readiness at the weekend to fight the Russian army if it intervened.

Brussels considers steel aid proposals

By Andrew Hill in Brussels

THE European Commission may ask east and central European countries to impose export taxes on steel production, under a draft plan to protect Community manufacturers from cheap imports.

It is also considering ways of strengthening protective measures, such as duties on steel "dumped" in the Community, and safeguarding clauses in existing political and trade agreements with Hungary, Poland and Czechoslovakia.

Commissioners will debate the plan to help the ailing EC steel industry on Wednesday in Strasbourg. It should include the offer of Ecu240m (£195m) over three years to help lay off or retrain as many as 50,000 steelworkers, plus further funds for plant closures and rationalisation.

EC steelmakers last month called for a far-reaching programme of political, commercial and financial assistance and will lobby commissioners before their meeting.

Brussels officials failed on Friday to decide whether such a plan could be funded from the existing budget and reserves of the European coal and steel treaty, as well as structural funds. But there is greater consensus among commissioners on capacity cuts – which would be based on a consultancy report to the industry – and so-called "external" measures.

The Commission's trade and external affairs directorate is understood to have suggested an export tax as one solution to the problem of cheap non-EC imports. However, some officials feel this would be at odds with the EC's attempts to encourage free trade with eastern Europe and the ex-Soviet Union and would almost certainly be rejected by the countries concerned.

Swiss set to vote down entry to EEA

SWISS VOTERS look likely to defy their government and reject membership of the 19-nation European Economic Area (EEA) in a referendum on December 6, Reuter reports from Geneva.

A survey in two local newspapers showed that only six, mainly French-speaking, cantons favoured the EEA, while another seven, all German-speaking and mostly in central Switzerland, continued to be strong opponents. The remaining 10 cantons were previously evenly divided on the issue.

● Three days before Sweden's parliament vote on ratification of EEA membership, an opinion poll yesterday confirmed growing opposition among voters to European Community entry.

According to the newspaper survey, women who fear a continued erosion of the welfare state are noticeably more sceptical than men. It said that in October, opponents of the EC leapt to 43 per cent from 38 per cent in April-May. Supporters dwindled to 35 per cent from the previous 39 per cent.

The findings confirmed a trend reported two weeks ago by another poll.

Mr Carl Bildt, the prime minister, has promised to hold a referendum on EC membership by 1994.

Finnish state groups under scrutiny

By Christopher Brown-Humes in Stockholm

THE FINNISH government has appointed a group of foreign and domestic financial institutions to consider the future of five state-owned companies.

The companies are: Kemira, chemicals (100 per cent state-owned); Outokumpu, mining and metals (57 per cent); Valmet, paper machinery and engineering (73 per cent); Imatran Voima Oy (IVO) (95 per cent) and Kemijoki Oy (77 per cent), power generation.

The government is looking to expand the ownership base of all five companies and is keen to ensure they have adequate financial resources for their development.

Mr Markku Tapio, deputy head of the industry department, said the government wanted to receive reports from the financial institutions involved by late spring.

Finland has already earmarked Neste, the oil and petrochemicals group, for privatisation.

● The Finnish Communist Party, which has played an important role in the country's history, yesterday decided to file for bankruptcy. It is a victim of Finland's deep recession and of share investments gone bad, Reuter reports.

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NEWS: INTERNATIONAL

SGS-Thomson emboldened by $2bn cash injection over five years

Microchip maker launches fresh search for partner

By William Dawkins in Paris

SGS-THOMSON (ST), Europe's only independent maker of microchips, is to relaunch its search for a big electronics industry partner, emboldened by a promise of $2bn (£1.3bn) over the next five years from its French and Italian state owners.

The French government is urging the group to seek a share exchange alliance with a leading customer or semiconductor producer, following last week's agreement on the package. The pact brought to a climax a year's intense debate between an eager France and a cautious Italy.

"Now that the public shareholders have shown their confidence in SGS-Thomson, the group can relaunch discussions with other groups. It could be a European client or components supplier or even a Japanese or US company," said a senior French industry official.

ST tried to entice Philips and Siemens, the Dutch and German electronics group, to join forces last year, but they were not interested. They had industrial reasons for making other plans, but officials admit that doubts over Italy's ability to support ST through Rome's public spending crisis made the company a poor prospective partner.

This is by far the largest investment in ST to date and involves $1bn of fresh capital plus $1bn of state research and development grant. It will more than wipe out ST's $900m debts and pay for two-thirds of the group's investment needs for the period.

France has been an unfailing supporter of ST, the world's 12th largest microchip group and the third largest in Eproms, an increasingly important kind of memory chip. Paris sees ST as the flagship of European attempts to resist Japanese domination of a strategically vital industry, a theme which commands sacred importance in French government circles. Italy, worried by its public spending crisis, was unsure until last week.

The cash will come equally from France and Italy, which each hold 45 per cent of ST through groups of state agencies led by their respective atomic energy bodies. The other player is Thorn-EMI, the British electronics group, which owns 10 per cent of ST and sees itself as a passive investor. Thorn-EMI says it will not buy new shares and thus is content to let itself be diluted to 6 per cent.

ST reckons the deal will enable it to fulfil its plans to more than double its overall market share from the 2.3 per cent around which it has stagnated for more than a year, to 5 per cent. At this level, it would expect to be profitable enough to fund its own R&D and fight the industry leaders on equal terms. ST spends roughly a fifth of turnover on R&D – $320m out of sales of $1.6bn this year – well above the industry average.

It is a spectacular bet, even by the standards of the French and Italian public sectors. It dwarfs the $300m which ST's shareholders invested in the business at its birth five years ago, from the merger of two French and Italian state-owned semiconductor producers. Since then, ST has received no fresh equity capital, although it has benefited from European Community research programmes, a declining source of cash.

In the process, ST has built up nearly $467m of accumulated net losses since 1987, having lost money in all but one of the past five years. It now faces debt charges which wiped out operating profits several times over in 1991 and will allow it to make only a small net profit – if ST officials' hopes come true – this year.

Will the rescue work? There should at least be no problem in putting the plan into effect, says the French industry ministry.

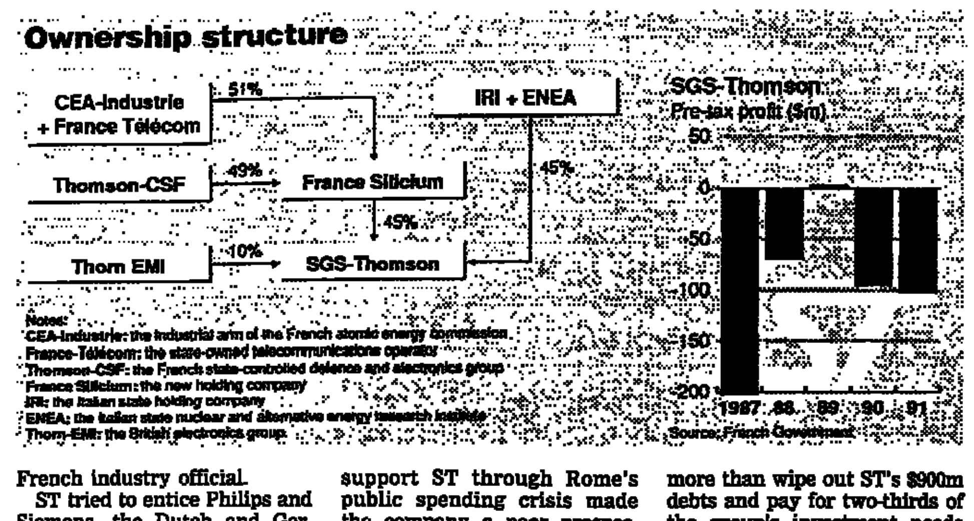
It does not expect the European Commission to object to the rescue under state aid rules because government shareholders are as entitled as private ones to put cash into a commercially viable business and R&D grants are legitimate, the argument goes. Officials deny suggestions that part of the R&D grant is covert aid to pay for ST losses.

In any case, Brussels might hesitate to upset two important member states at a time when European unity is already shaky and when the European Commission it is about to undergo its four-yearly organisational upheaval as commissioners' mandates come up for renewal.

The first $500m will be paid before Christmas, so ST's debt charges will fall from early next year. ST's operating costs are down too, thanks to a cut in staff numbers by 4,200 to 17,300 over the past two years. All other things being equal, ST should therefore be able to produce a sizeable profits rise next year.

ST's current five-year plan, as agreed at a recent meeting with its state shareholders, calls for a total investment of $3bn, so it will have to find another $1bn from its own funds.

French officials believe ST can generate enough cash to make this possible, now that its debts are to be paid. However, a new equity partner would clearly help.



Leading players weigh up costs of an EC base

Michiyo Nakamoto assesses the complex forces affecting semiconductor manufacturers in Europe

THE EUROPEAN MARKET

IN THE Saxon town of Braunschweig, near Hanover, the ritual sake barrel was hammered open and toasts were exchanged in proper Japanese style, as Toshiba Semiconductor GmbH last month celebrated its tenth anniversary in Europe.

Several hundred yards away LSI Logic, the US semiconductor manufacturer, is preparing to move out of its state-of-the-art semiconductor plant and transfer production to Japan.

LSI's plant, like that of its neighbour, is an assembly and testing facility, although it specialises in customised microchips rather than memories which are Toshiba's main product.

The markedly different fate of the two plants reflects the complex forces affecting semiconductor manufacturers in Europe.

On the one hand, high labour costs, lack of supporting infrastructure and a weak customer base are seen by some manufacturers, including Philips and Siemens, as big obstacles to manufacturing in the European Community.

But companies such as Toshiba, Motorola and NEC claim that the strategic advantage of being located in Europe outweighs the costs.

The foreign companies have not necessarily been reaping the profits from their European operations. However, NEC and Toshiba, the world's largest and second largest semiconductor manufacturers respectively, which have both been in Europe for 10 years, and Motorola, the world's fourth largest semiconductor company with a 25-year history in the region, are all expanding their facilities.

Intel, the US group, and Mitsubishi and Hitachi of Japan, are also building production facilities within the EC.

Philips, however, the largest European semiconductor manufacturer, has moved assembly work to Asia for cost reasons, as has Siemens. They have left behind only high-end fabrication operations which require close contact with European R&D facilities.

Despite these differences, there are some common difficulties that face any semiconductor manufacturer in the EC. For example, manufacturing costs are higher than in the US, Japan or elsewhere in Asia.

Mr Heinz Hagmeister, head of the semiconductor division at Philips, says: "The same [semiconductor] plant, of the same size, making the same product in the same production volumes will have 10 to 20 per cent higher costs in Europe than its identical sisters in the US and Japan, and more than 30 per cent higher costs than an identical plant in a newly industrialised country."

> 'The same plant making the same product in the same volumes will have 10 to 20 per cent higher costs in Europe than in the US or Japan'

European plant operators work fewer hours than their counterparts elsewhere, so companies in the region need to employ more operators to produce the same volume.

Even semiconductor plants in Scotland, where labour costs are level with the US and Japan and labour regulations are more flexible than on the Continent, have higher costs because of the lack of a European equipment base and of high quality materials.

Most semiconductor manufacturing equipment must be imported from the US and Japan and attract an import duty of 4 to 11 per cent.

The lack of Europe-based equipment manufacturers also means that semiconductor companies must keep a costly inventory of spare parts.

Maintenance is another problem. "If you get into trouble with machinery it takes time to get expert help. In the US you get overnight assistance," says Mr Laurent Bousson, corporate vice president of manufacturing at SGS-Thomson.

Europe also lacks suppliers of the extremely pure chemicals needed by manufacturers. Shipping these from Japan can double or triple the cost of a unit produced.

Another worry is that there are few opportunities for manufacturers to innovate or develop leading edge technologies in Europe.

While many US and Japanese computer and electronics manufacturers locate in the EC, new products using the latest technology, such as notebook PCs, laptops and hand-held TVs, are generally not introduced there first.

Mr Hagmeister says: "This handicap for European semiconductor manufacturers will obviously increase as more of their customers emigrate either because they themselves suffer from the higher European costs of manufacture or because they themselves experience a lack of market pull from their customers."

Mr Tsuyoshi Kawanishi, of Toshiba predicts that "our customers will increasingly move their manufacturing to South-east Asia."

However, views are divided over whether the benefits of being in Europe outweigh the costs.

Local manufacturers can respond more quickly to market trends and customer requirements. Demand for locally produced components by customers who themselves need to meet EC local content rules is another incentive.

European-based manufacturers also need to be close to their R&D facilities. SGS-Thomson, for example, makes advanced products in Europe, but "when the product matures we move it to the Asia-Pacific region", says Mr Bousson.

Many foreign companies believe productivity gains and automation can offset the disadvantages of manufacturing in Europe. Both NEC and Motorola say productivity at their UK fabrication plants is competitive with other regions.

For companies which have a base in the US or Japan that serves as their main profits source and as a driving force for innovation, the difficulties encountered in Europe are perhaps surmountable.

But without the necessary infrastructure, competitive costs for supplies and market influence, the manufacturing environment in Europe may be most cruel to indigenous semiconductor companies, which wonder whether the benefits outweigh the disadvantages.

Regional labour costs

As % of US costs

	Direct labour costs	Indirect labour costs*
Europe	88	115
Asia/Pacific	18	35
Japan	88	77
Mexico	11	45

Source: US semiconductor manufacturers. *Includes pay and benefits

Turkey seeks consensus on Kurds

By John Murray Brown in Ankara

THE suffering of the Kurds should not be used by outside powers as a pretext to partition Iraq, Iran warned over the weekend after a meeting of the foreign ministers of Turkey, Iran and Syria in Ankara.

A joint statement reiterated their shared concern about the evolution of a Kurdish state, despite repeated assurances from the Kurdish leadership that it does not seek to divide Iraq.

Mr Ali Akbar Velayati, Iranian foreign minister, said the situation in the Kurdish regions was chaotic, with a total absence of responsible government, despite the election of a Kurdish assembly in May. Mr Hikmet Cetin, Turkish foreign minister, warned the situation "should not become consolidated or legalised".

In the run-up to the Gulf war, Turkish President Turgut Ozal had warned Syria and Iran not to exploit the power vacuum if Iraq was defeated.

The latest meeting is the first time Turkey has broken ranks with its western allies by seeking a common stance with its regional neighbours on the Kurdish issue.

Iran and Syria both expressed concern about the "interference" of outside powers, an apparent reference to the air exclusion zone over Kurdish areas provided by British, French and US aircraft flying out of Turkish bases.

The UK has proposed a meeting to discuss an extension of the operation, which must be approved again by the Turkish parliament this year. It is certain to be discussed during Turkish Prime Minister Suleyman Demirel's visit to London next week.

Turkey, like Iran and Syria, fears moves to establish a separate Kurdish state could fuel separatist tendencies among its own Kurdish minorities. Turkey is also concerned that the security provided by the allies has allowed the Kurds to further their political goals.

● Turkey is to link its electricity power grid to Iran's, in a further move aimed at strengthening Turkey's economic links with its neighbours. Turkish and Iranian officials meeting in Tehran decided to join their power lines within two months, according to Turkey's official Anatolian news agency. The project follows a protocol signed in Damascus in October to create a common grid among Turkey, Syria, Jordan, Egypt and Iraq.

Turkey is close to agreeing financing for a 692MW hydro-power plant at Biricek on the Euphrates which will provide electricity to Aleppo in Syria – the first leg of this five-country project.

Turkish troops hoist the flag atop a hill they wrested from Kurdish dissidents in northern Iraq earlier this month

Ankara plans telecoms sale

By John Murray Brown

TURKEY intends to sell 20 per cent of the state telecommunications monopoly, and hopes to raise $2.3bn (£1.5bn), Mrs Tansu Ciller, chief economics minister, has told Turkish industrialists.

The sale would be Turkey's largest privatisation, and is certain to attract strong foreign interest, although industry officials suggest there is still considerable groundwork to do before the company is ready for sale.

Mr Yasar Topcu, minister for transport and communications, confirmed plans to split the PTT between the postal and telecoms services to pave the way for eventual privatisation. Industry officials say it still requires a change in the law to allow an operator other than the PTT into the telecoms sector.

The government has already sold PTT's two manufacturing subsidiaries, Netas and Teletas.

Mr Topcu said the recent private-sector tender for mobile telephones, won by Netas, a subsidiary of Northern Telecom of Canada, underlined the government's aim to sell the entire operation.

Mr Fikret Ucel, head of Teletas, now part-owned by Alcatel of France, said it was too early to think of selling PTT. According to the 1991 accounts, the telecoms division accounts for 89 per cent of PTT's operating revenues of TL10,459bn (£850m).

NEWS IN BRIEF

Mubarak in talks with Israel

EGYPTIAN President Hosni Mubarak and Mr Shimon Peres, Israeli foreign minister, discussed ideas yesterday to break a deadlock in peace talks between Israel and the Palestinians, Reuter reports from Cairo.

Although the two men did not give details of the ideas, Mr Peres expressed his appreciation for the role that Egypt, the only Arab state to have signed a peace treaty with Israel, is playing in its attempts to rescue the year-old talks, which are making no progress in Washington.

Micron files dumping suit

Micron Technology, the US semiconductor manufacturer which last month won a preliminary judgment in a dumping suit filed against Korean memory chip manufacturers, has filed another trade complaint against Goldstar and Hyundai, two of Korea's largest chip makers, writes Louise Kehoe in San Francisco.

Micron has asked the US International Trade Commission to ban imports of Dynamic Random Access Memory (D-ram) chips made by the two companies because it says that they are infringing its patents. A final determination on the case is expected in March.

Algeria arrests 23 Moslems

Security forces have arrested 23 Moslem fundamentalists in their pursuit of supporters of the outlawed Islamic Salvation Front (FIS), Algeria's official news agency, APS, said yesterday.

The arrests, with six others reported on Saturday, bring to more than 860 the number of people detained since October 1, the day a new anti-terrorist law came into force.

Liberia fighting escalates

The Nigerian navy shelled rebel positions around Monrovia yesterday in the heaviest fighting in Liberia for a week, Reuter reports from Monrovia.

NEWS: INTERNATIONAL

Air France accuses Brittan on takeover

By David Buchan in Paris

MR Bernard Attali, Air France president, has protested to Sir Leon Brittan that the EC competition commissioner is operating a double standard, favouring recent takeover bids by British Airways (BA) to the French carrier's detriment.

The state-owned French airline said yesterday that Mr Attali wrote to Sir Leon last week, threatening legal action and warning that if BA's takeover of Dan Air and its planned half-share in TAT, the French regional airline, went ahead, Air France might invoke a review clause in its own 1990 takeover of another French airline, UTA.

Specifically, Mr Attali has charged the Commission with:

- Adopting the wrong approach in clearing BA's takeover of Dan Air. By failing to include Dan Air's total turnover at the time of the takeover in its calculation, the EC anti-trust directorate put the deal below the threshold of mergers to be vetted under the EC merger regulation.

In any case, Air France complains the BA-Dan Air merger should have been regarded as an illegal abuse of dominant position, because the two airlines would have 60 per cent of slots at Gatwick airport and, together with TAT, "a total monopoly" of the Gatwick-Charles De Gaulle route;

- Failing to prevent BA's purchase of 49.9 per cent of TAT going ahead while it carried out an investigation.

Mr Attali complained that Brussels had checked Air France acquisitions in UTA and Air Inter for nine months in 1990 while it carried out a similar investigation. Under that 1990 deal, Air France was forced to sell its 35 per cent stake in TAT and stay out of it for four years, Mr Attali said. He was surprised to see his airline's "chief European competitor" on the point of taking an even bigger stake in TAT with a view to controlling it by 1997.

- Failing to investigate BA's plan to take a stake in USAir, though it claimed the right to scrutinise competition implications of other deals extending beyond the EC.

Belarus steps up sell-offs

BELARUS, among the most conservative of the newly-independent former Soviet states, is moving tentatively towards privatisation, writes David Waller, recently in Minsk.

The Belarus government has appointed western advisers to help with the privatisation process and plans next year to introduce legislation dealing with the mechanics of the transition to a market economy, officials of the government's State Property Agency said in Minsk last week.

So far, fewer than 200 out of 30,000 enterprises – employing just 1.4 per cent of the country's workforce – have been privatised, largely through the sale of vouchers to employees.

The government plans to introduce a legal framework next year which will act as a catalyst to further privatisation, for example laying down private property rights. The Uberoi Group of Germany is advising the government.

Survey points up the growing divide between those with work and the unemployed

Job satisfaction higher in east Germany than west

Rescue workers *(left)* stand in front of the Innsbruck-Copenhagen express after it ran into a derailed freight train wagon 270km south of Hamburg yesterday. At least 10 people were killed

By Quentin Peel in Bonn

WORKERS in eastern Germany express more job satisfaction than their counterparts in the wealthy west of the country, in spite of poor job security, lower wages and worse working conditions, according to a new survey.

The result underlines the growing divide in the former Communist part of Germany between those who are delighted to have held on to their jobs in the new market economy, and those who have lost them and face prolonged unemployment.

The survey of more than 1,000 workers in both parts of the country, carried out by the London-based International Survey Research, concludes that 95 per cent of east German employees believe they are doing something really worthwhile in their job, 86 per cent say their work gives them a sense of personal achievement, and 82 per cent think that their job is varied and interesting.

"Equivalent scores in western Germany, though still high in absolute terms, are significantly lower by comparison," the survey reports.

"There seems to be little doubt that the high regard eastern German employees continue to have for the value and purpose of their work enables them to maintain a very high level of morale in the face of difficult economic circumstances and diminishing employment security."

Very high level of morale maintained

Indeed, as might be expected, their confidence in job security is much lower than in the west, and they are significantly less satisfied with their pay and fringe benefits. For example, only 44 per cent of east German employees believe fringe benefits are adequate, compared with 74 per cent in the west.

They are also less positive about western-style management practices in their enterprises, such as performance recognition, training and development and corporate communications, suggesting that such practices have yet to gain much priority in the east.

The study is one of the first in the former Communist parts of eastern Europe to be carried out by ISR, which specialises in surveys of employee attitudes.

It points out that eastern employees are perhaps surprisingly confident about the quality of the work produced in their companies (71 per cent), a finding mirrored by east German management, in spite of the problems of marketing eastern products on western markets.

The survey concludes that for Germany as a whole, employees are noticeably less confident about the prospects for their companies than in other west European economies: only 22 per cent of the Germans expect a change for the better, compared with 36 per cent in France, 33 per cent in Britain and 32 per cent in the Netherlands, according to comparable ISR surveys.

Czechs and Slovaks find that breaking up is hard to do

Vincent Boland reports on problems of dividing archives, armed forces and buildings

PITY the unfortunate officials at the Czechoslovak Defence Ministry. They have been saddled with the task of dividing up, as fairly as possible, not just the country's armed forces and weapons but also its archives, including important records from the second world war and the years of communist rule. Worse, they have to find a solution before the country divides into the republics of the Czech Lands and Slovakia on January 1, 1993.

Apart from cutting everything in three and handing two pieces to the Czechs and one to the Slovaks, to correspond to the population ratio, they simply do not know how to begin dividing such historical material. Czech officials claim the archives are indivisible, implying that they should remain in the Czech republic when the federation is dissolved. Slovakia insists the Czechs are stalling, and wants its share.

As an example of the problem that breaking up can bring, the issue of the archives is not entirely trifling. Slovakia's defence minister, Mr Jozef Tuchyna, has said that if there is no full agreement on defence between the two republics before January 1, Slovakia may not accept any others.

Defence, agriculture and the division of federal property are the three crucial areas on which no consensus has yet been reached in continuing negotiations ahead of the split. The federal property issue is proving particularly difficult and is unlikely to be resolved by January 1. The main problem is that the federal parliament has been unable to muster the necessary three-fifths majority to pass a bill authorising the division.

Both the Czech and Slovak national councils have threatened to pass a resolution forcing the parliament to act. The federal cabinet, meanwhile, has agreed to set up a special commission of senior officials from both sides, headed by the federal prime minister, Mr Jan Strasky, to get things moving.

Property will essentially be divided territorially and in proportion to population, with special measures to compensate either republic in instances where most of the property of a federal institution is located in the other.

Slovakia is expected to be the bigger beneficiary of such payments. Not only are most government buildings, for example, in Prague, the capital of the Czech republic, but the latter also has most of the federal defence installations, though the armaments industry is in Slovakia.

Despite these difficulties, however, progress has been made in other areas. To date, 22 agreements governing future relations between the Czech republic and Slovakia have been signed by the republics' prime ministers, Mr Vaclav Klaus and Mr Vladimir Meciar. The most important is a customs union due to come into force on January 1, which provides for abolition of all trade restrictions between the two republics, a single customs territory, and common tariffs on trade with third countries.

Both sides have also agreed to continue with a single currency – the koruna – for up to six months after the split. After this two separate central banks are expected to establish national currencies.

Other agreements include a pact on friendly relations; the harmonisation of social security and health benefits; environmental protection; double taxation agreements; the protection of each republic's investments in the other; and the maintenance of transport and telecommunications links.

These achievements reflect areas with a broad element of consensus. The real haggling is over those areas where there is no common approach. Western diplomats praise the "businesslike" manner adopted by both sides. However, one senior diplomat pointed out the importance of reaching "some kind of definitive arrangement" on the issue of federal property by the deadline, otherwise "it will drag on for years and will no longer be a priority".

Dr Oldrich Dedek, deputy director of the Institute of Economics at the Czechoslovak State Bank, believes it is important that all agreements be seen to be in place on time. He says there has been a slowing down of foreign investment in both republics ahead of the split. "It should pick up again if everything goes smoothly."

This point was underlined this week by Mr Vladimir Dlouhy, Czech republic trade and industry minister. Returning from a trade mission to Italy, he said the "vagueness" surrounding the split abroad had affected business confidence in Czechoslovakia, and politicians must spell out more clearly what has been achieved so far.

London named world hub for currency deals

By James Blitz, Economics Staff

LONDON has extended its lead as the world's biggest centre for currency dealing, the Bank of England has reported. It says the change has come amid a big increase in activity in foreign exchange market.

The Bank attributes London's dominance not only to higher turnover but also to more diversified dealing. Operators in London deal in a very broad range of currencies, while 74 per cent of dealing in New York is between the dollar and the four other major currencies (D-Makr, yen, sterling and Swiss franc).

The report, released ahead of the Bank's Quarterly Bulletin later this week, list big changes in the nature of foreign currency dealing since the previous survey in 1989.

Among the changes are a rise in non-dollar transactions, especially those involving the D-Mark, a fall in the proportion of dealing done through brokers, and a sharp increase in the market share of the top 10 interbank dealers in London.

The bank's survey was part of a project conducted in April in which 26 central banks analysed foreign exchange turnover in their countries.

The Bank says turnover has *increased in every major* centre, with net daily turnover in London rising 60 per cent since 1989 to \$300bn this year. It adds that there has been a big increase in the volume of foreign exchange activity over the last three years and the rise has almost certainly been bigger than that for world trade.

"Part of the increase in foreign exchange turnover must have been generated by the rise in cross-border capital flows which have been stimulated by the de-regulation of financial markets," it says.

The rise in turnover has been accompanied by "a significant shift" in the balance between spot and forward business over the last six years. In London, the proportion of spot business (in which immediate transactions are made) declined from 64 per cent in 1989 to 50 per cent in 1992. The share of forward transactions (in which dealers lock into a specific rate to be transacted at a determined point in the future) has risen by 120 per cent over the same period.

Criminals use payment networks to launder cash

CRIMINALS are learning how to use international electronic payment networks to launder the proceeds of drug trafficking and robberies, the Bank of England warns this week, writes Daniel Green.

It says there is a need for close international co-ordination to counter the illegal use of financial systems.

"The increasing efficiency and integration of the world's financial system creates an environment that organised criminals are only too ready to exploit", says the Bank in an article released ahead of its quarterly bulletin.

The Bank is one of the founding members of the international Financial Action Task Force (FAFT), the main forum focusing on combating money laundering.

FAFT is concerned many electronic payment instructions "fail to include the names and addresses of both senders and beneficiaries". This makes it easier for criminals to conceal the sources of funds. As a result, the Society for Worldwide Interbank Financial Telecommunications has told its clients to include these details.

Britain in brief

New editors take over at Mirror group

Mirror Group Newspapers, *formerly owned by Mr Robert* Maxwell, has announced sweeping changes in the senior staffing of its three tabloid newspapers.

Mr David Banks, former editor of the Telegraph Mirror in Sydney, takes over as editor of the Daily Mirror, replacing Mr Richard Stott. Ms Bridget Rowe, editor of the Sunday Mirror, becomes editor of The People. She is succeeded by Mr Colin Myler, her deputy.

The moves follow the appointment of Mr David Montgomery as chief executive. Journalists at the Daily Mirror branded Mr Montgomery, a former editor of a Murdoch-owned rival, as a threat to editorial independence.

Government survey launched

Mr Michael Heseltine, trade and industry secretary, has launched a "baseline survey" across Whitehall to review every aspect of government impact on business. He has asked departments to detail all regulations affecting business for which they are responsible.

Pay levels rise

Pay rises in the public sector are not outstripping those in the private sector but are now rising at exactly the same rate, according to the Labour Research Department. The average pay rise in both sectors was 4.1 per cent in the three months to October.

Green reporting

US companies provide more than four times the amount of environmental information that UK and Canadian companies, according to a survey by auditors KPMG Peat Marwick.

Dispute threatens proposed Heathrow rail link

By Richard Tomkins, Transport Correspondent

PLANS for the public and private sectors to set up a £300m rail link between Heathrow airport and London are close to collapse amid a bitter dispute between British Rail and BAA, the airports operator.

The row is in danger of delivering an embarrassing blow to government plans to bring public and private sectors together to build roads and railways.

The Heathrow Express project, intended to speed passengers between Heathrow airport and central London's Paddington station in 16 minutes, is being developed jointly by BAA and British Rail.

The plan is for British Rail to carry the trains on its existing tracks for three-quarters of the 16-mile journey. The private sector would build and operate the spur from the main line to the airport.

Last week BAA accused British Rail of undermining the viability of the project by asking too high a price for the use of the main line tracks. But British Rail is furious over the allegation, claiming that BAA's refusal to put more money into the project is to blame.

A senior BR manager said the Heathrow Express trains would take 43 per cent of the capacity of the fast tracks into Paddington, and the track charges it was proposing were "right at the bottom end of what anybody would regard as reasonable".

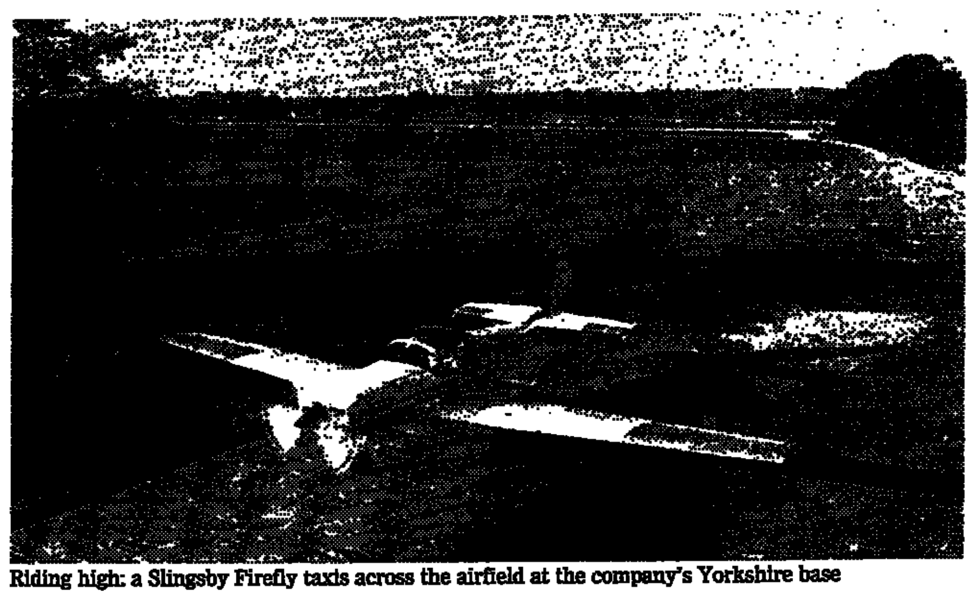
British Rail says the real reason why the project is in jeopardy is because it yields a return on capital of only 7.8 per cent – much too low to attract the private sector backers needed to fund it.

British Rail argues that BAA should be prepared to put its own money into the project because the line will bring a big increase in passenger numbers at Heathrow, BAA's most profitable airport.

BAA, however, said yesterday the project should be treated differently by BR because it held out the possibility of getting £300m worth of private sector investment in a vital rail link which would not otherwise be built.

Yorkshire company models itself on Boeing

Despite the gloom in industry, a number of companies are still thriving. Launching a series on companies bucking the trend, Paul Betts visits an airfield in Yorkshire which has landed a major US Air Force order



Riding high: a Slingsby Firefly taxis across the airfield at the company's Yorkshire base

IN the midst of the worst recession to hit the UK's aerospace and defence industries since the Second World War, a tiny Yorkshire company is refitting its facilities to double production of small propeller powered military training aircraft.

Based in farm sheds rather than a factory on the edge of the North Yorkshire Moors, Slingsby has just landed the most important contract in its 60 year history.

The US Air Force has chosen the T-67 Firefly aircraft as its new basic trainer for student pilots. Amid fierce international competition, Slingsby won the USAF order for up to 113 Firefly trainers worth around \$50m.

To win the order, the small Yorkshire company with annual sales of around £7m teamed up with Northrop, one of the giants of the US defence industry. "This is really a case of the mouse that roared," said Mr John Dignan, Slingsby's marketing director, whose company will soon start shipping kits of its all-composite aircraft to the US for final assembly by Northrop at Hondo in Texas.

The order could not have come at a better time. "Like everybody else we have had to cutback this year because of the recession and the lack of work in the aerospace business," explained Mr Michael Jones, group executive of ML Holdings, the engineering group which acquired Slingsby eight years ago.

Mr Jones said employment was now expected to rise to 230 people as the company gears up for the US programme.

"Our production will more than double from about four aircraft a month to nine a month," said Mr David Holt, Slingsby's managing director. "We've had to gut our factory space and refurbish it to prepare for this big jump in production," he added.

Started in the early 1930s by an enterprising carpenter from Scarborough called Fred Slingsby, the company originally made gliders and sailplanes. Although it is still known as "the glider company", it evolved during the last 20 years under a series of owners including companies such as Vickers and British Underwater Engineering into a high technology designer and manufacturer of components for the aerospace and marine industries.

From its small base in one of the prettiest corners of England, the company supplies composite parts to some of the world's biggest aerospace manufacturers including Boeing, Airbus and British Aerospace. It also makes all-composite Hovercrafts, and sophisticated underwater equipment for the offshore oil industry.

But the company is pinning its hopes on the Firefly trainer. "It has taken us 10 years to establish the aircraft in the market and we expect we will now win many new orders on the back of the US Air Force deal," Mr Dignan said.

The first 10 Slingsby two seater aircraft were built of wood under licence from Fournier, a French aircraft manufacturer. In 1983, the Yorkshire company applied its expertise to develop an all-composite version. Since then, the company has sold up to now 104 trainers to 10 different countries such as Switzerland, Turkey, Canada, the Netherlands and Norway.

It believes the Firefly is now well placed to win the contract for 20 new RAF trainers which is due next month.

One of the selling points of the aircraft is that it can do, on a small scale, many tasks of a sophisticated fighter aircraft. "This aeroplane is designed to train a pilot at the most important stage of his early career when he is learning the basic skills, " said Mr Norrie Grove, Slingsby's chief test pilot, a Spitfire veteran.

Although winning the US order has given Slingsby a significant boost, the company still faces tough competition in its niche market. Over the next five years 25 countries are expected to replace their primary trainers involving about 520 aircraft in all. A further 510 aircraft are expected to be replaced by 30 other countries between 1996-2001.

"There are six manufacturers competing for this business and there is not room for everyone," Mr Dignan said.

Slingsby has never received much support from the UK government. "I once got £500 for a sales trip and we've basically done it on our own two feet," added Mr Jones of ML Holdings.

Slingsby, however, has some advantages. Not only are its labour rates low, but the company is also one of the rare manufacturers based in a small market towns, enabling it to retain a local base of skilled labour. In its own tiny way, Slingsby has become the Boeing of Kirbymoorside.

The economy: Government is claiming victory over inflation: Report, Page 2

FINANCIAL TIMES SURVEY

AUSTRALIA

Monday November 16 1992

Enterprising Australians have been trading with Asia since the 1950s. More than 60 per cent of Australian exports go to the Asia-Pacific region and integration with Asia is regarded as desirable as well as inevitable. **Kevin Brown** reports

Opening the door to Asia

Gold mining at Kalgoorlie: With the Australian dollar looking weak against its US counterpart, mineral earnings may yet strengthen beyond expectations. There is a long list of new projects. Report, Page 4 *Picture: Glyn Genin*

IN a Sydney conference hall, Hsieh Fu Hua, the Singaporean managing director of Morgan Grenfell Asia, is telling a group of Australian businessmen how Australia is perceived in the economically dynamic Asian countries to its north. The news is not good.

"You should be aware of the loss of respect that Australia has suffered in the region," he tells them. "You have lost respect because of (insensitive reporting of Asia by) your bad press, your infamous businessmen in the 1980s, and the performance of your economy."

Hsieh has much more to say, none of it pleasant. But at the end of his speech he is applauded enthusiastically. Businessmen question him on how Australians can improve their sometimes touchy links with Asia. Radio and television networks queue to interview him for news bulletins.

"I was not surprised by the reaction," Hsieh says later. "One of the most attractive things about Australians is that you can tell them the truth and they listen to you. I could never have said things like that to an Asian audience. They would have walked out."

A few years ago, Hsieh's Sydney audience might have walked out, too. They stayed to listen because most share the view that opening the door to Asia is one of the changes which is essential if Australians are to avoid becoming the "white trash of Asia," as Mr Lee Kuan Yew, the former prime minister of Singapore, once forecast.

Mr John Fahey, the conservative premier of New South Wales, summed up the emerging consensus concisely at the same conference: "For decades, Australia scarcely noticed the changes taking place in its own backyard," he said. "We can no longer afford to do that."

This view is not new. Enterprising Australians have been trading with Asia since the mid-1950s when a forward-looking conservative government signed a trade pact with Japan. Now more than 60 per cent of Australian exports go to the Asia-Pacific region.

But, increasingly, integration with Asia is regarded as desirable as well as inevitable. In 1992, it is almost impossible to imagine a serious political commentator suggesting that Australia should apply for membership of the European Community, as Mr John Elliott, then president of the federal Liberal party, did only two years ago.

Part of the reason for the change in attitudes is the growing acceptance that the nature of Australia has been irredeemably altered by mass Asian immigration since the repeal of the discredited White Australia policy in the mid-1970s. For nearly two decades, up to 50 per cent of Australia's annual immigration intake has come from Asia, transforming the country from an almost exclusively European enclave to a vibrant and increasingly sophisticated multi-cultural melting pot.

The non-racial immigration programme has done much to counter Australia's historical reputation among Asians for arrogant racism. However, the key factor in speeding up the change in attitude which is taking place has been Australia's relatively poor economic performance.

Sporting successes aside, Australians have not had much to celebrate since the country slipped into recession in 1990. While the national rugby union and rugby league teams were in Europe winning world cup competitions, the rest of Australia has been struggling with slow growth and high unemployment.

The economic problems have fostered a growing sense of gloom about the future, combined with a loss of national self-confidence which contrasts sharply with the euphoria of the late 1980s, when the economy was growing strongly and Australian entrepreneurs were still roaming the world looking for takeover targets.

The short-term result is likely to be a sweeping reversal of fortune for the Labor Party, which has dominated government at both state and federal levels since the early 1980s. All the signs are that the Labor decade is almost over; Labor has already been swept out of office in Tasmania and Victoria and appears likely to lose the federal election due by mid-1993, although Mr Paul Keating, the prime minister, will fight hard all the way to election day. With about six months to go before the last possible election date, the atmosphere is becoming increasingly clouded by the smoke of battle. But the short-term political confrontation disguises a remarkable degree of consensus about future policy.

As Mr Paul Kelly, editor in chief of The Australian newspaper, argues in his recent book The End of Certainty, the 1980s marked a radical move away from the principles which had guided Australian governments since federation in 1901 – white-only immigration, trade protectionism, judicial regulation of industrial relations, paternalism, and loyalty to Britain.

Both the main political groups are committed to continuing the process of developing Australian political and cultural independence, and opening up the formerly protected and regulated economy to international economic forces. Hence there is a large measure of agreement on key issues – tariff reductions; integration with Asia; and raising business competitiveness through labour market changes and other structural economic reforms.

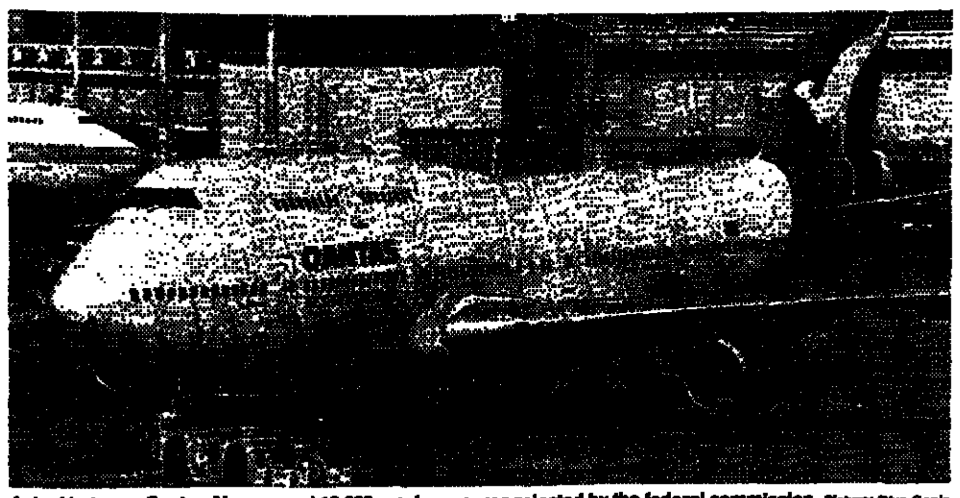
There is even some meeting of minds on touchy symbolic issues: Mr Keating may have tried to present republicanism as a Labor icon but Mr John Hewson, the federal Liberal leader, is only one of many conservatives who think abolition of the monarchy is probably inevitable in the long term.

Of course, the new consensus is not complete. State politicians have local industries to protect, business leaders and media commentators fear the effect of competition on uncompetitive businesses, academics complain that Australia's traditional egalitarianism is in danger. But the critics' impact is limited by the absence of a rational alternative policy.

A recent book by Mr Michael Pusey, an academic sociologist, tapped a deep vein of nostalgia for government regulation, but even Mr Pusey did not suggest that Australia could return to protectionism.

As a result, the debate revolves around the pace of change. The conservatives want rapid progress towards unencumbered free markets; the government contends that Australians have already undergone all the reform they can digest. Nevertheless, it is clear that Australia's course towards an independent, open and pluralistic society has been firmly set. The argument now is not about what charts the ship of state should be using, but how much sail it should carry.

AUSTRALIA 2



A deal between Qantas Airways and 18,000 employees was rejected by the federal commission *Picture: Glyn Genin*

□ FIGHTBACK CAMPAIGN

An easy target

EVEN his worst enemy would probably concede that Mr John Hewson, leader of Australia's conservative opposition, is a brave man. Faced with an apparently disintegrating Labor government, it would *have been easy for Mr Hewson* to sit back and wait for the prime ministership to fall into his lap.

Instead, he and Mr Peter Reith, the shadow treasurer [finance minister], persuaded the Liberal and National parties which make up the conservative coalition to take an almost unprecedented step: *publication of a detailed programme* for government, known as Fightback!

In most areas, Fightback! proposes to extend or complete structural economic reforms initiated by the present Labor government or its predecessors. But the scale and scope of the proposed reforms makes it an easy target for Labor claims *that the coalition* plans a Thatcherite revolution.

Under a Hewson government, privatisation of government-owned businesses would be stepped up, tariffs would be reduced to a maximum of 5 per cent by 2000, most of the remaining regulatory constraints on industry would be swept away, and the resources industry would be largely freed from constraints imposed by environmental and Aboriginal lobby groups.

Each of these proposals is controversial in its own right, as Mr Paul Keating, the prime minister, and Mr Bob Hawke, his predecessor, have discovered over the past decade in forcing more tentative changes through a sometimes reluctant parliament.

But Fightback! goes further in two crucial areas:

● Industrial relations. Australia has a unique industrial relations system under which a network of quasi-judicial federal and state industrial relations commissions set wages for about 80 per cent of workers, often without reference to productivity, supply and demand or ability to pay.

The commissions can order compulsory arbitration of disputes and fine or imprison workers or employers who fail to comply. Overlaying the commission structure is a separate prices and incomes accord between the government and the Australian Council of Trade Unions (ACTU), under which aggregate wage increases have been restrained in return for tax cuts and *improvements in the "social* wage," such as low-cost medical care.

Labor has initiated tentative reform by reducing the number of occupational wage award classifications, and encouraging workplace bargaining agreements, although deals must still be registered with the relevant commission.

Senator Peter Cook, the industrial relations minister, says this "quiet revolution" has led to nearly 400 agreements in the past 12 months.

Some agreements have triggered remarkable improvements in productivity. For example, Mr Michael Deeley, the former chairman of ICI Australia, says workplace agreements have transformed the competitive position of many of the company's plants. However, many employers are critical of the limited scope for *negotiation allowed by Labor's* new regime.

The industrial relations commissions retain the power to block deals between workers and employers. For example, a recent deal between Qantas Airways and 18,000 employees was rejected by the federal commission on the grounds that neither side had justified a proposed 10 per cent pay increase. Mr Ian Spicer, chief executive of the Australian Chamber of Commerce and Industry, says many of the agreements which have been registered are "quite uninspiring" especially when compared with what is being achieved in other countries.

Fightback! responds to this concern by proposing the abolition of compulsory arbitration and occupational awards, except where employers and workers agree to remain within the existing system. Compulsory trade union membership would also be abolished, together with restrictions on overtime and shiftwork, which often attract legally enforceable penalty payments under the existing system. However, a minimum wage and other safety net provisions would be retained, undermining government claims that Fightback! would lead to exploitation of workers.

Fightback! also implies that control of monetary policy would be handed over to an independent central bank. Mr Hewson has yet to spell out exactly how this would be done, but it is likely to be a key element of the reform programme if aggregate wage demand is to be restrained without the benefit of the present government's accord with the unions. The most likely scenario is a variant of the successful New Zealand model, under which the bank is instructed to achieve a specified medium-term inflation target.

● *Taxation. Fightback! proposes* the introduction of a 15 per cent goods and services tax, similar to Europe's value added tax, to switch the emphasis of revenue raising from direct to indirect taxes. The GST would raise consumer prices, but would be offset by personal tax cuts and the abolition of seven existing indirect taxes, including payroll tax, wholesale sales tax and petroleum excise tax.

Economists are divided over whether the imposition of a *GST would lead to an increase* in the savings rate, and hence to a long-term reduction in Australia's perennial current account deficit and mountainous foreign debt. But most agree that it would benefit export-orientated industries by removing taxation from business inputs.

Mr Hewson says he is confi*dent that voters will under*stand the reasoning behind the GST proposal despite government attempts to portray it as a tax on essentials. His position is also strengthened by Mr Keating's attempt to introduce a GST in 1985, when he failed to win cabinet agreement in spite of presenting a strong case. However, the taxation proposals have come under attack from a wide range of organisations, including the ACTU, the poverty lobby, the churches, the tourism and construction industries and local authorities. In addition, the proposed tariff reductions are strongly opposed by parts of manufacturing industry – notably vehicle manufacturers and textile companies – and the plan to ease restrictions on mining has angered both environmental and Aboriginal lobby groups.

The biggest fight is likely to be with the trade unions over the coalition's labour reform proposals, described by Mr Martin Ferguson, ACTU president, as a recipe for social conflict in "a ratbag world of industrial relations." However, Mr John Howard, the coalition's industrial relations spokesman, discounts the prospect of a bruising battle with the unions as a pre-election bluff.

There is some evidence that he is right. Mr Ferguson told a recent business conference organised by the Amdahl Executive Institute that the unions were determined to protect workers by maintaining the award system. But he said the ACTU's response to the election of a conservative government would depend on circumstances. "The ball is in the coalition's court. The union movement will not pick an industrial relations brawl," he said.

Nevertheless, Mr Hewson will need all his undoubted political courage if he is to *resist pressure for piecemeal* changes in Fightback! So far, his nerve has held. But holding the line may prove increasingly difficult as the next federal election moves inexorably closer.

Kevin Brown

□ THE ECONOMY

Inflation expected to fall further

AUSTRALIA'S Labor government is claiming victory over inflation, which fell to 0.8 per cent in the September quarter, the lowest in the Organisation for Economic Co-operation and Development (OECD).

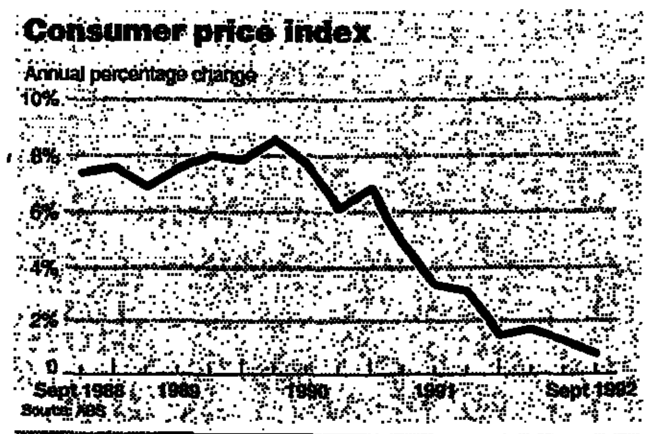
Inflation is expected *to fall* further in the current quarter and is widely expected to remain below 2 per cent for much of 1993, in spite of the probable end of a two-year downward spiral in interest rates.

In the longer term, cost-push inflationary pressures should be restrained by the government's agreement with the trade unions, which restricts wage increases to levels capable of holding inflation below the OECD average.

However, the decline in inflation is not unadulterated good news. Largely, it reflects weak domestic demand caused by a slower-than-expected recovery from the 1990-91 recession. Technically, the economy emerged from recession in the September quarter of 1991. But growth has been weak and the government may have trouble hitting its 3 per cent growth target, outlined in the 1991-92 budget.

Many business leaders have expressed scepticism about the pace of growth

Mr John Dawkins, the treasurer [finance minister] continues to insist that the government will achieve the target, but his confidence is not widely shared. Many business leaders have expressed scepticism about the pace of growth, including commentators such as Mr John Prescott, managing director of BHP, Australia's biggest company.



Treasurer Dawkins insists the government will achieve growth target

Even Senator John Button, the government's third-ranking minister, admitted recently that he was "not confident" the target could be reached, although he later withdrew his comments after a ticking-off from Mr Dawkins.

The government has responded to slow growth with moderate pump priming which will increase the budget deficit to a forecast A$13.4bn from A$9.3bn in 1991-92, but unemployment is likely to remain above 10 per cent until at least mid-1993.

In this environment of weak domestic demand, the best hope for growth lies in exports, which have been growing strongly, helped by a 13 per cent decline in the trade-weighted value of the Australian dollar over the past year. However, imports are growing even faster – up three times as much as exports in the September quarter, compared to the same quarter of the previous year.

For the time being, the government remains on target to achieve its August budget forecast for a current account deficit of A$15bn, equivalent to 3.75 per cent of GDP. However, the decline in the value of the currency, combined with a A$1.5bn current account deficit in September – a 20-month high – has refocused market attention on Australia's external account.

International worries about Australia's A$150bn foreign debt have eased over the past two years as the debt burden appeared to be stabilising at about 35 per cent of GDP. But some economists say the falling Australian dollar could increase the debt load to more than 40 per cent of GDP, which *might re-ignite international concern*.

If that happened, the Reserve Bank would probably have to display its determination to defend the currency – and continued low inflation – by raising rates, which is just what the sluggish economy needs least.

Kevin Brown

KEY FACTS

Area	7,682,300 sq km
Population	17.34 million
Head of State	HM Queen Elizabeth II
Currency	Australian dollar (A$)
Average Exchange Rate[1]	1991 US$1 = A$1.28
	1992 US$1 = A$1.32

ECONOMY [All $ figures are in US$]	1991	1992 Q2
Total GDP ($bn)[1]	295.4	294.1
Real GDP growth (%)[2]	-1.2	1.9
Components of GDP (%)[1]		
Private Consumption	61.6	63.1
Total Investment	19.9	18.2
Government Consumption	18.4	18.4
Exports	17.8	18.5
Imports	-17.2	-18.2
Inflation rate (%)[2]	3.3	1.5
Ind. production growth (%)[2]	-1.3	0.4
Unemployment rate (%)[1]	9.6	10.9
Reserves minus gold ($m)[1]	16,534	13,927
Narrow Money growth (%)[2]	7.0	13.3
Discount rate (% pa)[1]	10.99	7.33
Govt Bond Yield (% pa)[1]	10.69	9.15
FT-A share prices (%)[3]	20.8	8.8
Current Account Deficit ($m)[4]	-9,852	-4,098
Exports ($m)	42,010	20,591
Imports ($m)	38,500	18,970
Trade Surplus ($m)	3,510	1,621
Main Trading Partners (%)[5]	Exports	Imports
USA	10.2	24.4
Japan	27.9	17.6
Taiwan	4.3	3.7
Singapore	5.4	2.7
UK	3.2	6.2
EC	11.8	20.8

Notes: All $ figures are in US$.
(1) Figures refer to full year 1991 and Q2 1992
(2) *Growth rates for 1991 over 1990, Q2 92 over Q2 91*
(3) Annual growth at year end 1991 and end Q2 1992
(4) Figures refer to full year 1991 and Q1 plus Q2 1992
(5) Percentage share by value in 1991
Source: IMF, World Bank, Datastream, EIU.

□ Politics: Background to the forthcoming federal poll

Tide of history seems to be against Labor

LIKE most elections in the television age, the impending federal poll in Australia is being described by politicians and commentators on all sides as the most important ever. Mr Paul Keating, *the Labor prime* minister, says voters are being presented with a clear choice between a pragmatic government and an ideologically-driven Thatcherite opposition.

Mr John Hewson, leader of the Liberal-National Party conservative coalition, says the election presents a unique opportunity for voters to rein *in corporatism and big government*.

Both men are exaggerating. Australia is already undergoing dramatic economic and social changes as a result of the generally liberal and deregulatory policies followed by Labor since its election in 1983. A conservative election victory would speed up the process of *opening the economy to market* forces, but that would largely represent a consolidation of liberal economic policies rather than a philosophical change of direction. Nevertheless, the antipathy between the two leaders exceeds normal political limits. Mr Keating, a master of the pithy phrase, has a variety of insulting labels for the conservative leader, all designed to present him as a heartless economic theorist, remote from the problems of ordinary people.

He says Mr Hewson is "Gordon Gekko," the fictional banker whose creed was "Greed is Good;" he is Dr Doom or The Professor, recalling his stint as an economics lecturer; he is the "Feral [wild] Abacus", suggesting an out-of-control calculator.

Mr Hewson uses less colourful language, but he takes *little* trouble, even in private, to disguise his distaste for the prime minister's spiteful rhetoric and street-fighting style. Mr Keating's attacks on the opposition are undoubtedly politically astute. Most opinion polls suggest that Mr Hewson's popularity has declined since the *attacks began in earnest at the* beginning of the year.

The prime minister's relentless concentration on the character issue has also helped to divert attention from the government's own policy failures, notably Australia's 1990-91 recession and subsequent slow recovery.

As a result, Mr Hewson has been forced to spend time trying to soften his personal image, instead of attacking the *government's weak point – its* failure to prevent unemployment passing the politically sensitive 10 per cent level.

Mr Keating can claim credit for a remarkable revival in Labor morale since he replaced Mr Bob Hawke, the former prime minister, in a bloody leadership coup in December. A year ago, government officials were resigned to losing the election, which must be held by June. Now, some think *Labor might yet pull off a* record fifth successive victory.

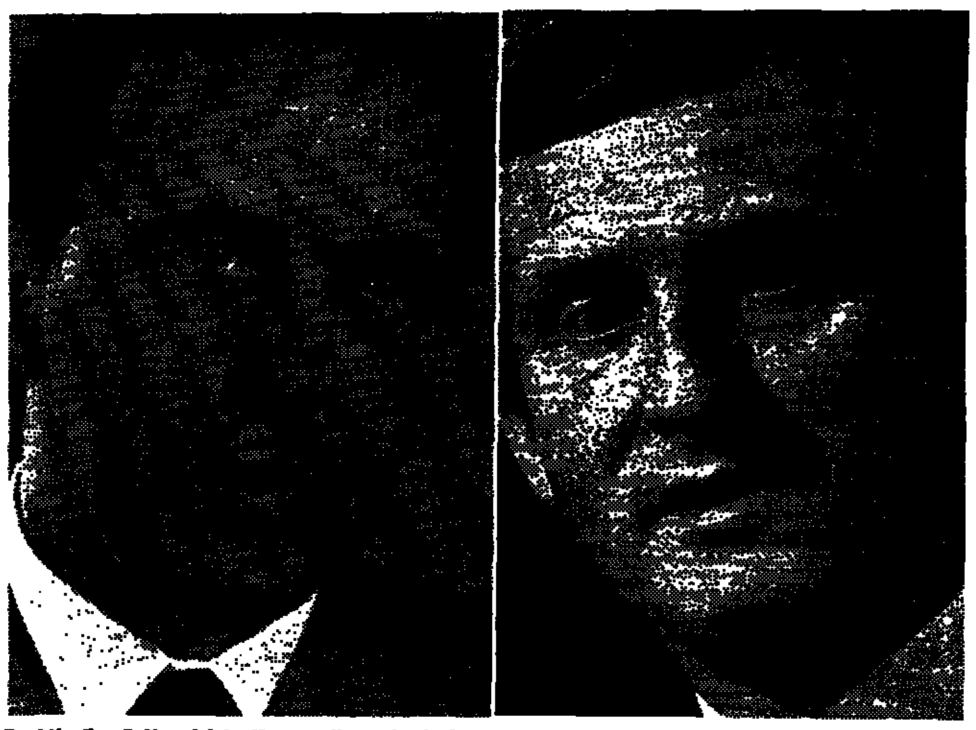
Election advertising is likely to exploit some of the prime minister's one-liners

However, there is a long way to go: Labor's popularity rating remains well behind the opposition – 12 percentage points in the latest opinion poll – and the coalition has no shortage of ammunition with which to embarrass the government. Election advertising, for example, is likely *to exploit some of* the prime minister's less well advised one-liners, such as his *successive* declarations that "there will be no recession," that "this is the recession we had to have," and that "the recession is over long ago."

The federal government will also be weakened by the loss of state power in Tasmania and Victoria this year, and the likely fall of weak Labor governments in South Australia *and Western Australia* next year.

Mr Keating is not yet ready for the Elysian fields. But increasingly, it looks as though the tide of history is moving against Labor. After dominating Australian politics for a decade, the party may now be heading for a period in the wilderness.

Kevin Brown



Paul Keating (left) and John Hewson: the antipathy between the two leaders exceeds normal political limits

□ TRADE

All eyes on Gatt outcome

MR Paul Keating, the Australian prime minister, shocked many Australians recently when he declared during a visit to Tokyo that Australia would support Japan rather than the US in any future trade dispute.

Mr Keating's statement appeared to be intended to lay the groundwork for Australian trade policy in the event of a collapse of the Uruguay Round of negotiations on the General Agreement on Tariffs and Trade (Gatt).

Officials said the government remained hopeful of a successful conclusion to the talks, and played down suggestions that the statement flagged a big refocusing of Australia's trade and diplomatic efforts.

However, Mr Keating was said to be concerned that the US might seek to develop a series of bilateral trade agreements offering preferential access to the recently-negotiated North American Free Trade Area (Nafta) if the multilateral Gatt talks broke down.

Given that such an approach could be used to discriminate against Japanese access to the US, the prime minister's unsolicited support for Japan makes a lot of sense. Australia is one of the few developed countries to run a trade surplus with Japan, which is by far its biggest trading partner.

Mr Keating's comments also reflect the growing view that Australia's best interests lie in encouraging closer relationships with the dynamic economies of its own region, rather than fostering existing historical links with the US and Europe.

More than 60 per cent of Australian exports went to the Asia-Pacific region (excluding the Americas) last year, including 27 per cent of the total to Japan alone. By contrast, North America and the European Community (EC) each took just over 12 per cent.

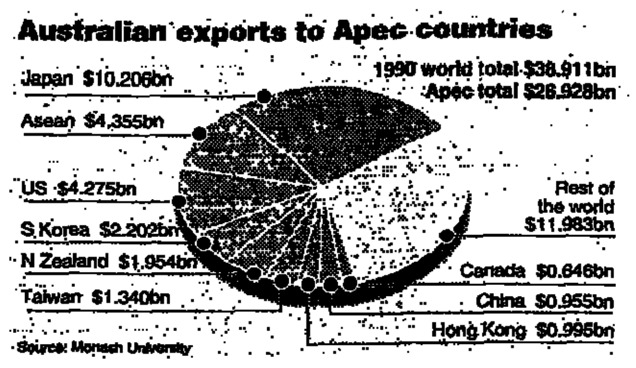
Most forecasters suggest that trade with Asia will continue to grow as a proportion of Australia's total trade, which suggests that Mr Keating's comments amounted to little more than a commonsense observation on where Australia's loyalties would lie in the event of a trade war.

However, his statement also reflects concern that Australia's relatively recent claim to be an integral part of the Asia-Pacific region may not be enough to prevent its exclusion from any regional trade bloc which may emerge. For example, Dr Mahathir Mohamad, Malaysia's prime minister, has made clear that Australia and New Zealand would be excluded from his proposed East Asian Economic Caucus, which Malaysia envisages as an expanded version of the Association of South East Asian Nations (Asean).

Even if the caucus fails to materialise, there is clearly no role for Australia in the proposed development of a free trade area within Asean – an idea which is gathering support as the likelihood of a successful Gatt outcome recedes.

Australia might be able to sign a bilateral deal offering access to Nafta, but would first have to overcome US resistance to freer trade in agricultural commodities in which Australia has an advantage.

Australian exports to Apec countries



Source: Monash University

Even if the agricultural problem could be overcome, such an agreement would be unlikely to confer a net benefit if access to Asian markets was simultaneously reduced because of Australia's exclusion from an emerging regional trading bloc. This analysis explains why Australia has invested so much diplomatic effort in the formation of the Asia Pacific Economic Co-operation process (Apec), initiated by Mr Bob Hawke, the former prime minister, in 1990.

Apec, which is establishing a permanent secretariat in Singapore, includes Australia, Japan and the two big North American economies, as well as the Asean nations and the three Chinas – Taiwan, Hong Kong and the communist mainland. The key to Canberra's interest in Apec is that the

Mahathir Mohamad: proposed East Asian Economic Caucus

member countries buy about 70 per cent of Australia's exports. However, while Apec members have discussed trade issues, the organisation is not yet a trade bloc, and there are several problem areas which make it hard to see how it could develop into one:

● The size and diversity of Apec – the things which make it attractive to Australia – mean that negotiations on a comprehensive trade agreement would face the same problems as the Uruguay Round.

● Agriculture aside, the US and Canada are likely to have conflicting obligations to Nafta, especially if Nafta goes ahead with a series of bilateral trading agreements with third countries.

● An Asian trade bloc could not succeed without Japanese participation, but Japan clearly has a greater interest in protecting its access to the crucial North American and European consumer goods markets.

● The lack of cultural economic affinity between Apec members. Australian policymakers have tended to gloss over the cultural issue on the grounds that other Asian nations are as different from each other as they are from Australia.

However, Professor Richard Snape, head of the economics department at Monash University, pointed out in a recent report on Australia's trading options that successful regional trading blocs usually exhibit a high degree of geographical proximity and similar levels of per capita gross national product.

"To this list might well be added cultural affinity: there are no examples of successful, substantial trading blocs where there is a marked cultural diversity between the partners. This may reduce the likelihood of any agreement involving Australia and Asian countries being successful," he said.

In spite of these difficulties, the consensus among both policymakers and commentators is that Australia must continue to promote Apec because it is the only mechanism which offers Canberra a seat at the regional table.

Professor Nancy Viviani, head of the international politics department at Griffiths University, says Apec's importance to Canberra is hard to overstate. "The alternative is to be an orphan if the storms come," she says.

Mr Richard Woolcott, who as secretary of the foreign affairs and trade department was one of the authors of current trade policy, says Apec can help Australia prevent the formation of trade blocs from which it is excluded. Nevertheless, the inherent contradictions in Apec make it a poor second best to a successful Gatt outcome, which remains the primary target of government policy. If the talks succeed, Mr Keating can forget about making choices between Japan and the US. If they fail, Australia will not be the only country searching for a safe haven.

Kevin Brown

□ CORPORATE REGULATION

Debate continues

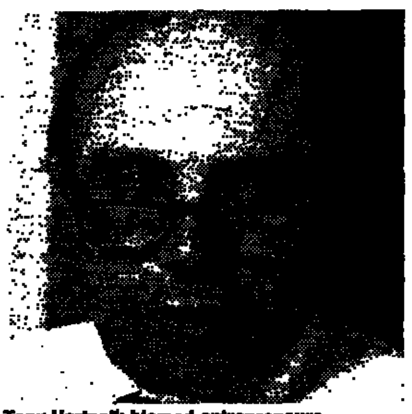
THE entrepreneurial boom which took place in Australia in the 1980s long ago petered out into corporate bankruptcies, recession, and a rash of criminal charges and civil litigation against many of the key businessmen involved.

Opinions differ about the long-term effect on the mainstream business sector. Mr Tony Hartnell, the outgoing chairman of the Australian Securities Commission, the corporate watchdog, thinks it was severe.

"The entrepreneurs have had three long-term effects," he says. "They have put up the cost of capital for Australian businesses; destroyed some of the pioneering spirit which existed here; and ensured that Australia has fallen further down the list of asset allocation priorities for overseas investors."

Sir Eric Neal, president of the Institute of Company Directors, says the entrepreneurs did less damage than many observers think. "I used to think... that Australia's reputation would be damaged irreparably in the rest of the world," he says. "But when I read about the Blue Arrow case in the UK, and about Salomon Brothers and the savings and loan institutions in the US, I realise that there are problems in all western countries.

"Without in any way condoning or expressing anything other than concern about what was happening in Australia, it was not too different from what was happening in the UK and the US." Nevertheless, Australia has taken seriously the



Tony Hartnell: blamed entrepreneurs

widespread criticism that its corporate regulatory arrangements were unequal to the task of restraining both unethical activity and criminal behaviour.

The most obvious breakthrough was the establishment of the ASC last year, after the federal government finally persuaded the states to give up their rights to supervise corporate activity. Not only did the agreement allow the federal government to replace the six state-based regulators with a single federal watchdog, it also provided for an increase in funds from A$7m to A$125m.

The commission is carrying out some 1,300 separate investigations and has produced lengthy reports to the Director of Public Prosecutions on 15 leading companies. In addition, criminal charges have been brought or recommended against several well-known businessmen.

To some extent, the establishment of the ASC represented a shutting of the corporate stable door after the entrepreneurial horse had bolted. However, the debate over the right corporate framework is far from over, and several key issues remain to be settled:

● Has the establishment of the ASC filled the gap in corporate law enforcement, or has it merely papered over the cracks? The Business Council of Australia (BCA), which represents most big companies, is one of many lobby groups which believe the ASC's present role as both commercial regulator and criminal investigator is unsustainable in the long term.

The BCA has called for the establishment of a separate corporate crime authority, along the lines of Britain's serious fraud office, to allow the ASC to concentrate on corporate regulation. This suggestion is in line with the approach taken by Mr Hartnell during the ASC's first year. However, Mr Michael Duffy, the federal attorney-general, recently directed the commission to give more priority to criminal investigations.

● The Australian Stock Exchange (ASX) has instituted a system of continuous reporting which requires the market to be kept fully informed about issues or proposals affecting listed companies. This continuous disclosure regime is to be given the force of law through federal legislation giving the ASC a formal supervisory role.

Both the ASX and a government advisory committee concluded that mandatory quarterly reporting, the disclosure system adopted in the US, was not necessary at this stage except for mining companies, which already report quarterly. But many observers remain convinced that quarterly reporting is the only reliable method of ensuring that markets are fully informed.

● However, the most serious issue yet to be resolved is whether the corporations law needs to be rewritten. The BCA, the Institute of Company Directors and the Law Council of Australia have all called for a fresh approach to the law to make it simpler and more relevant to modern business conditions.

The argument is that the Corporations Act, which draws together more than a

Michael Duffy: piecemeal basis

century of corporate law-making, is unnecessarily complex, full of loopholes, and fails to address issues such as the role of professional managers and institutional shareholders in a modern company. Corporate law experts say the legislation is one of the most complicated regulatory regimes in the advanced countries.

The pressure for a comprehensive revision of corporate law has had some effect on lawmakers, notably on the parliamentary joint committee on corporations and securities, which has pressed the government to consider redrafting and modernising the existing legislation.

However, Mr Duffy has indicated that he prefers to revise the law on a piecemeal basis – the approach taken by the government in devising new regulations to govern the relationship between directors and companies, known as the related party transaction amendments.

Mr Duffy's office also believes that a total redrafting of all 1,300 sections of the corporations law would open up so many issues that it could take five years or more to complete.

This proposition is contested by Professor John Farrar, a Melbourne University expert on corporate regulation who helped design a relatively simple corporate code for New Zealand, which suffered from a similar problem.

Professor Farrar says a comprehensive revision of the law could be carried out fairly quickly provided the government had a clear idea of its policy objectives. The simplest approach would be to adopt the New Zealand code, which would also help bring Australian and New Zealand corporate law into line, as required by the agreement on closer economic relations between the two countries.

"The NZ code has a great deal of intrinsic merit," says Professor Farrar. "It draws heavily on the North American model, which is the best model around, and it innovates in a very original way. It makes the law comprehensible to the intelligent businessman, and that gives you a head start if you want an effective corporate regulation regime."

Kevin Brown

☐ TOURISM

Two-pronged strategy

THE bulk of Australia's foreign earnings used to ride on the back of its sheep. These days, a growing proportion ride on the seats of jumbo jets.

Last financial year, nearly 2.4bn international tourists arrived in Australia, contributing A$7.2bn to the coffers. This was about 10 per cent of total foreign exchange receipts, the single largest earner, outstripping the traditional wool and coal exports.

Mr Alan Griffiths, the tourism minister, expects 5bn tourists to arrive in the year 2000, generating about A$18bn.

The national strategy to achieve this target is two-pronged. First is an advertising campaign to woo more Asian tourists – and thus lock in that segment of the market which has propped up the industry during the past few years.

The second part of the strategy is a shift in the Australian image being projected abroad. The singlet-clad, beer-and-barbecue Australian lifestyle depicted by Crocodile Dundee star Paul Hogan is being replaced by images of sophisticated nightlife, first-class shops and fine restaurants, and spectacular scenery.

Mr Hogan has successfully caught the imagination of the world market. Australia is now recorded either the first or second most desired holiday destination in its big markets.

Mr John Hutchison, managing director of the Australian Tourist Commission, wants to convert that desire into bookings.

Asia, outside of Japan, is the main target of the advertising campaign. Nearly half of a A$28m advertising budget is being spent on campaigns in South Korea, Taiwan, Singapore, Hong Kong, Malaysia, Thailand and Indonesia. The rest is being spent in North America and New Zealand.

Accompanying the marketing campaign is a frantic pace in bilateral air negotiations to increase capacities to and from Malaysia, Indonesia and Singapore. And with the deregulation of the air routes, the privately-run Ansett airlines has also jumped in, applying for flying rights to Malaysia.

In 1991-92 the number of Asian tourists, excluding Japanese, rose 28 per cent from the previous year's figure, making the region the fastest-growing source of inbound tourists. The Bureau of Tourism Research (BTR) says tourists from these markets will increase by an average 12 per cent to the year 2001. This compares with a 10 per cent growth expected in the Japanese market, the main source of tourists.

Last year the fastest-growing market was Taiwan, which delivered a 134 per cent increase in visitor arrivals. The number of tourists from Thailand rose 31 per cent, from Singapore 26 per cent, and from Hong Kong 26 per cent.

But Japan remains the richest market, with more than 500,000 Japanese visiting Australia last year. While Japanese tourists do not stay long, they spend the most money among foreign tourists. According to BTR, Japanese tourists stay an average of eight nights and spend an average of A$1,371 excluding package tours and air fares. In contrast, tourists from the US stay an average of 29 nights and spend an average of A$2,091.

The Japanese spending pattern is partly attributed to local Japanese tour operators promoting the "Japanese connection." Japanese banks and investors are heavily exposed to the Australian hotel industry. During the five-star hotel boom of the middle and late 1980s, Australia built nearly 110,000 luxury hotel rooms worth about A$30bn. Japanese investors including Kumagai Gumi and Daikyo went on a buying spree and snatched 80 per cent of the projects.

In 1990, these five-star hotels were valued at A$22bn. Last year the Building Owners and Managers Association hired an independent auditor who valued the assets at A$10bn.

And while Japanese investors are trying to unload their interests, Japanese tourists are helping ease the pain by patronising the Australian tourist market.

The glut in luxury hotel rooms has itself helped boost Australia's desirability as a tourist destination. With owners forced to charge economy rates for first-class rooms and service, it has gained a reputation of being a holiday destination of excellent value.

Emilia Tagaza

Forecast: Number of Asian tourists to Australia

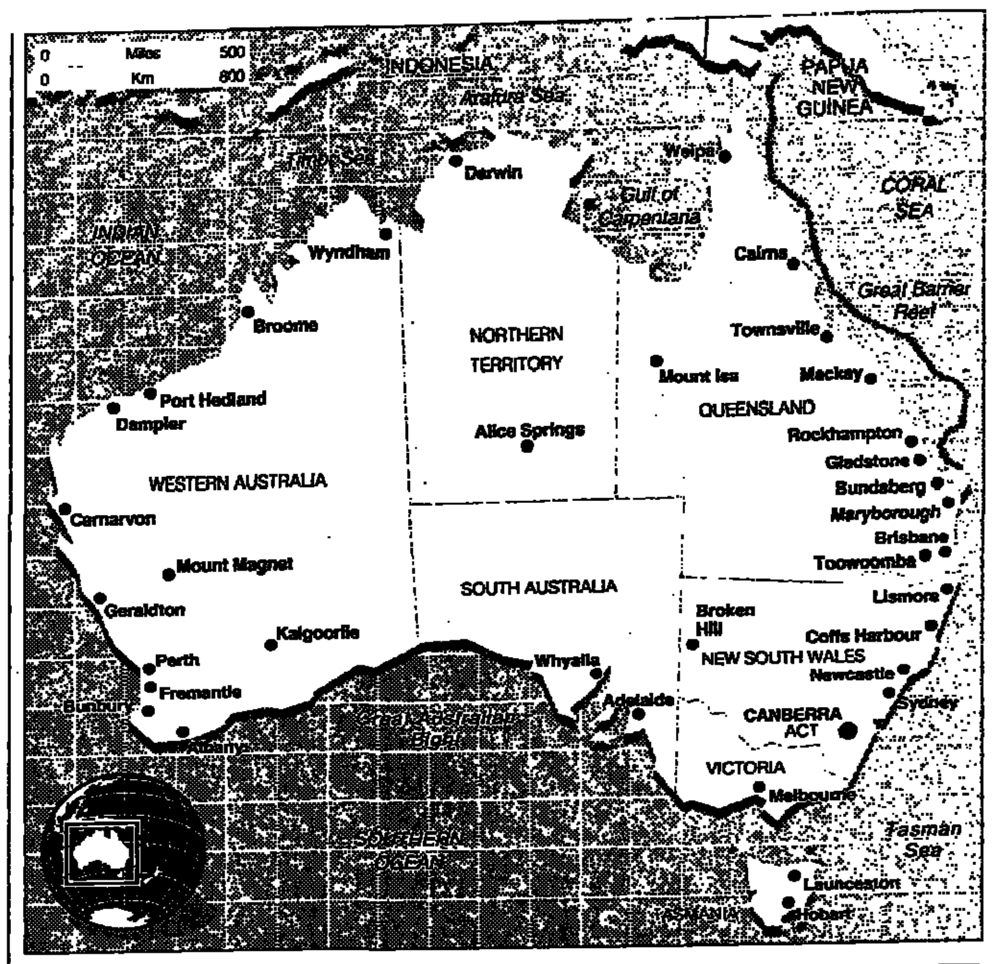
From	1992	2000	Spending in year 2000 (A$)
Singapore	100,000	215,000	394m
Hong Kong	70,500	127,500	265m
Taiwan	55,500	260,000	773m
Malaysia	53,000	185,000	420m
Indonesia	41,000	130,000	363m
South Korea	35,500	255,000	1,039m
Thailand	30,000	100,000	227m
Other nations	64,000	202,500	363m

Source: Australian Tourist Commission

Visitors to Australia: Dec 1991 quarter

From	Length of stay (nights)	Spending (A$)
Japan	8	1,371
New Zealand	20	1,378
Asia	37	1,895
UK and Ireland	59	2,426
US	29	2,091
Europe	47	2,297
Canada	29	2,091
Rest of world	34	1,884

Source: Bureau of Tourism Research



☐ CONSTITUTION

Confusion over identity

WHEN the state of Victoria's newly-elected MPs gathered for the first time in Melbourne's historic parliament last month they swore to be "faithful and bear due allegiance to her majesty Queen Elizabeth II, the lawful sovereign of the United Kingdom..."

If the oath angered any of the MPs present they failed to show it; perhaps familiarity has robbed the wording of its shock value, or perhaps they were mollified by the addition of the words "...and this state of Victoria."

Nevertheless, the spectacle of a group of MPs explicitly swearing allegiance to a foreign monarch epitomises the confusion which surrounds Australia's attempts to develop a coherent and distinctive post-colonial identity.

Ironically, the Melbourne swearing-in ceremony was held only a few days after the federal and state governments agreed to end the award of British imperial honours such as knighthoods. In practice, the decision merely formalised the position which has existed since 1988 when Queensland became the last state to stop awarding imperial honours following the defeat of Sir Jo Bjelke-Petersen's National Party government.

However, the two episodes taken together neatly illustrate the way in which the gradual development of an Australian consciousness co-exists with a continuing attachment to the symbols of colonialism.

Part of the confusion is caused by the federal constitution, signed in 1901, which allowed the six constituent states to retain their colonial constitutions, including independent links with the UK.

In addition, some of the constitutional reforms which have taken place seem pointless, even in symbolic terms.

For example, Mr Gough Whitlam's Labor government of 1972-75 made Australians subjects of the newly-created throne of Australia.

But the sovereign of Australia remains whoever happens to be the king or queen of the UK.

This reluctance to take decisive action has marked Australia's constitutional relationship with the UK since federation. For example, it took the federal government 11 years to adopt the 1931 Statute of Westminster, which conferred formal self-government on the then British dominions. And it was not until 1986 that the federal parliament passed the Australia Act, finally removing the residual power of the UK parliament to legislate for Australia and the states.

Pressure for reform has gathered pace in the past year, as Mr Paul Keating, prime minister, has given official support to both the republican movement and those who want to remove the British Union flag from the top left quarter of the Australian flag.

The government is officially committed to creating a republic by 2001, the centenary of federation, and Mr Keating has given his personal word that he will oversee the introduction of a new flag.

Governor-General Bill Hayden: the Queen's man in Canberra

However, having temporarily diverted attention from the flagging economy, the Prime Minister has now dropped both issues in the face of determined opposition, suggesting once again that radical constitutional reform is too difficult for Australian governments.

Meanwhile, the national schizophrenia on constitutional issues is perfectly captured in the second verse of Advance Australia Fair, the national anthem adopted less than 20 years ago to replace God Save the Queen:

When gallant Cook from Albion sailed
To trace wide oceans o'er,
True British courage bore him on,
Till he landed on our shore.
Then here he raised Old England's flag,
The standard of the brave,
'With all her faults we love her still,
Britannia rules the wave'.
In joyful strains then let us sing,
'Advance Australia fair.'

Not surprisingly, the second verse is rarely sung.

Kevin Brown

☐ MINING

Long list of projects

A world-class performer suddenly forced to run harder just to stand still: that's an admittedly sports-oriented, but nonetheless apt description of the Australian mining industry as 1992 draws to a close.

With slow growth in the world's locomotive economies keeping commodity prices under pressure, Australian miners have responded by doing what they've always done; simply produce more.

The result: big rises in tonnage shipments of many key products including coal, iron ore, gold and base metals – but only a modest lift from A$27.9bn to A$28.1bn in mineral export receipts in 1991-92.

Resouce sector earnings have been a leading casualty, with less than 20 per cent of the country's leading mining companies managing earnings increases in the latest year, and many facing further cuts in the current year.

Analysts have slashed their resource sector earnings projections, with BT Securities Australia typifying the share market mood. BT has cut a net A$100m from its forecast earnings for a handful of the country's top miners over the next two years.

Despite a belief that selected minerals – notably gold, zinc, copper and perhaps aluminium – have a slightly improved price outlook, most other analysts are similarly pessimistic on earnings.

Yet Australian miners remain among the world's supreme optimists; committed to continued big capacity expansion even though the industry's increased output is already a leading contributor to world over-supply and price weakness in commodities.

Leading stock broker Barclays de Zoette Wedd has identified more than 80 large Australian resource projects planned for commencement, mostly by the mid-1990s, and worth a conservative A$33bn. This includes an estimated A$14m worth of petroleum projects, with another A$5bn in each of the coal and aluminium sectors, A$1.8bn in zinc and A$1.7bn in precious metals.

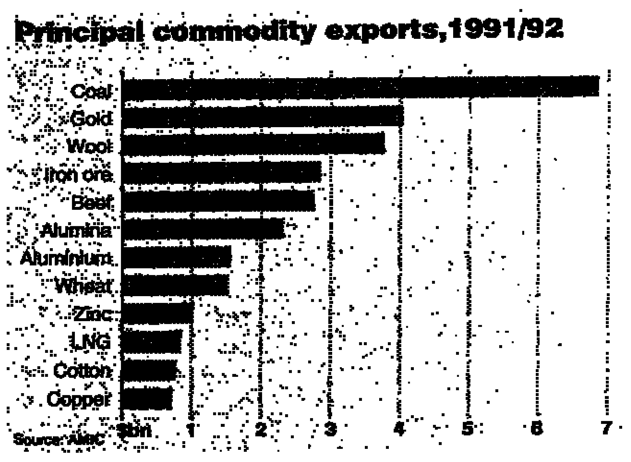
Rapid expansion has been the trade mark of the Australian minerals industry almost since coal was discovered just 10 years after the arrival of the First Fleet in 1788. Australian Mining Industry Council figures show that the volume of the country's mine production doubled in the decade to 1992. The industry's share of GDP has grown from 7 to 9 per cent and its share of merchandise exports from 43 to 53 per cent in the same period.

Given the long list of new projects, further minerals growth relative to the rest of the economy looks assured for at least the next decade. The Federal Government-controlled commodities forecasting group, ABARE, predicts an 8 per cent rise to A$30.5m in the value of mineral exports in the current June year.

It is a solid outlook in recessionary times, but the fate of mineral industry bottom line earnings will depend just as much on internal factors. Chief among these is the environmental debate which has already circumscribed some industry operations. Another big swing factor is the currency. With the Australian dollar looking weak against its US counterpart, mineral earnings may yet strengthen beyond expectations.

Bruce Jacques

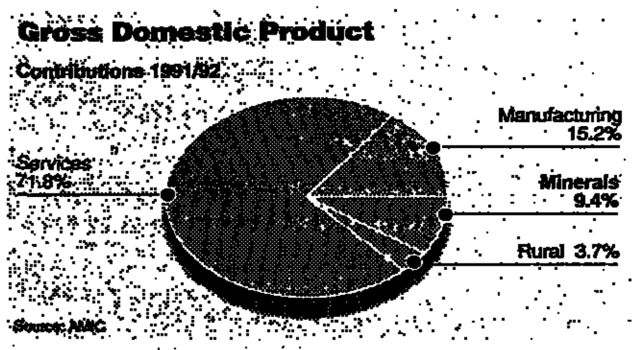
Principal commodity exports, 1991/92



Source: AMIC

Gross Domestic Product

Contributions 1991/92



Source: AMIC

☐ ENVIRONMENTAL ISSUES

Getting the green message across

THE appointment of the new head of the Australian Conservation Foundation (ACF) reflects a fundamental change in the strategy of the peak environment group which, until 1990, could make or break political parties. The shift also puts it on a different course from Greenpeace which maintains a radical stance.

The new ACF executive director, Ms Tricia Caswell, is at ease with business and industry leaders and has a strong background as trade union negotiator. She heads a new-look ACF which is more economics-literate and willing to face industry representatives across the table and negotiates in economic terms.

Until 1989, the ACF had a confrontationist image, fired by a swell of support from an increasingly conservation-conscious population. It rode high on the support and used it to score major victories against big industrial projects.

It also wielded great political influence which it mobilised during the 1990 federal election to put the Labor Party back in power.

But the movement now seems to recognise that a confrontationist stance no longer works magic on a population whose main concern is unemployment, not the environment.

A recent government-funded survey found that while the environment was now a permanent, deep-seated and genuine concern among the community, unemployment and the state of the economy were "top-of-the-mind" concerns in late 1991.

For example, consumers told the survey they wanted to switch to natural and environmentally-friendly products but they were deterred by their higher prices. Many who had previously made the switch reverted back to normal or generic brands during the recession.

The resurgence of economic issues in the development-environment debate is evident in a new legislation designed to protect Australia's endangered species. In effect, the legislation puts economic cost-benefit analysis high in the list of criteria to be used by government agencies when deciding whether or not to approve projects that may harm native flora and fauna.

Despite the watered-down laws, the green lobby's reaction has been circumspect

The legislation, which applies to Commonwealth land, was approved by the cabinet last month. It is a weaker version of an original draft which would have given the environment minister the right to veto or delay projects that might threaten endangered species.

During cabinet debate, Mrs Ros Kelly, the environment minister, was forced to give some ground to the economic ministers. The final draft gives much of the decision-making process to the portfolio ministers. Final decisions are to be made in cabinet.

Despite the watered-down laws, the green lobby's reaction has been circumspect. The ACF said the group was dismayed but said it would want to ensure that Australia's remaining native forests and endangered species were protected, while accommodating the country's economic aspirations.

"It is necessary to do both. It is possible to do both," a spokeswoman said.

The group hardly sees the weak legislation as a defeat. It has had a big victory in getting the government to adopt a national policy which makes environment an integral part of development planning, along with economic and social considerations.

The national policy for "ecologically sustainable development" (ESD) which was set up in 1990, has brought together conservationists, industry and union representatives and federal and state bureaucrats to resolve many of their disagreements. They did manage to agree on specific proposals on such issues as greenhouse, land degradation and forest conservation.

However, business, unions and conservationists are disappointed that after adopting the ESD strategy, the government has been slow in immersing itself in the process.

The ACF now believes that lobbying the government may not be the most efficient way of getting the green message across.

It has instead begun forming alliances with former enemies to work directly on environment problems. The ACF and the National Farmers' Federation have a massive joint project aimed at countering soil degradation in farmlands.

The ACF is attempting to convert workers to the green philosophy, and through them get their message to industry.

Ms Caswell goes on frequent trips back to her old turf, the Australian Council of Trade Unions, expounding the idea that a well-protected environment creates more jobs.

As to the arch enemy, industry, Ms Caswell has a ready opener. She has said not all industry people are greedy.

Emilia Tagaza

THE WEEK AHEAD

ECONOMICS

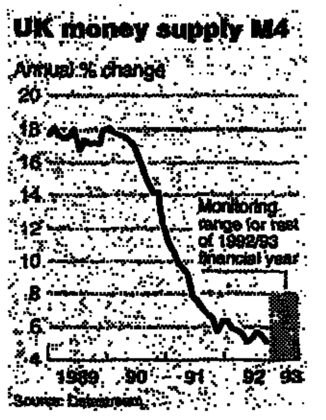
Money supply stays on target

THE mid-month rush of UK statistics this week includes the October money supply figures. Few will be surprised to see the M4 broad measure fall well within the new target range, announced by the Chancellor in parliament last week.

Target growth range for M4 – notes and coins in circulation and bank and building society deposits – will be 4-8 per cent. Conveniently, M4 grew by 5.1 per cent in the year to September, almost bang in the middle of the target range, and is forecast to drop to 4.85 per cent in the year to October. With inflationary pressures subdued, most economists say the upper limit of the target range is unlikely to be breached in the near term. It is more likely to drift to its lower limit.

There is also important data on the US real economy. Figures for industrial production today should give President elect Bill Clinton a better idea of the scale of the task of rejuvenating the US economy.

Other economic highlights and events follow. Figures in brackets come from MMS International, a financial information company, and are the median of independent analysts' forecasts.



Today: France, October preliminary consumer price index (up 0.2 per cent on the month, up 2.5 per cent on year); Finland, September CPI (up 2.75 per cent on year); Sweden, October trade balance; Japan, September industrial production, October wholesale price index (down 0.6 per cent on month, down 1.2 per cent on year); US, October industrial production (up 0.2 per cent), October capacity utilisation (78.4 per cent), September business inventory (flat); Canada, September unfilled orders, September department store sales (down 0.5 per cent on year), September wage settlements (up 2.7 per cent);

Tomorrow: UK, October PSBR (£1.4bn); CBI distributive trades survey for October. US, Johnson Redbook week ended November 14, Federal Open Market Committee meets in Washington; Australia, September export prices.

Wednesday: UK, October retail sales (down 0.3 per cent on month, up 1.2 per cent on year); US, September merchandise trade balance ($8.5bn deficit), exports ($36bn), imports ($44.5bn); Canada, September merchandise exports (flat), imports (up 0.7 per cent), trade balance ($725m surplus).

Thursday: UK, Bank of England quarterly bulletin, October building society net new commitments (£2bn), October M0 (up 0.4 per cent on month, up 2.2 per cent on year), October M4 (up 0.3 per cent on month, up 4.85 per cent on year), M4 lending (£1.55bn repayment), third quarter gross domestic product (flat on quarter, down 0.8 per cent on year); France, September industrial production (down 0.3 per cent); US, October housing starts (1.28m), October building permits, initial claims w/e November 7, state benefits w/e October 31, money supply data for w/e September 11; Canada, October consumer price index (up 0.2 per cent); New Zealand, third quarter retail trade.

Friday: US, minutes of October 6 FOMC meeting released; Australia, September manufacturing prices; Japan, September workers' income.

During the week: Germany, October wholesale price index (down 0.2 per cent), October producer price index – west (up 0.1 per cent on month, up 0.8 per cent on year), October M3 (9.25 per cent); Italy, October PPI (up 2 per cent on year), October WPI (up 1.95 per cent on year), September industrial production (down 1.3 per cent on year); Netherlands, September trade balance, October unemployment; Denmark, October CPI (up 0.2 per cent on month, up 2.05 per cent on year); Switzerland, October trade balance (SFr110m deficit); Japan, October broad liquidity, November WPI, October money supply.

Emma Tucker

RESULTS DUE

BRITISH Airways is expected to report a 40-45 per cent increase in first-half pre-tax profits tomorrow, confirming its position as one of the world's most profitable airlines. However, the City expects a small decline in the company's second-quarter profits, reflecting the increasingly tough outlook in the industry.

BA's first-half pre-tax profits are expected to be in a range of £250m-£260m, against £185m in the first half last time. But second quarter profits are expected to total around £160m-£170m, against £176m.

British Steel, struggling in the depressed worldwide steel market and a flood of cheap metal entering the EC, particularly from Eastern Europe, is expected to report a significant pre-tax loss today. Analysts put it at between £50m and £100m in the half year to September (£13m).

The big question is whether the steel group will maintain or cut its interim dividend, held at 3p last time. There is no financial reason to maintain the pay-out, but British Steel may want to keep its options open, and wait to play with the final dividend.

The market is expecting today another solid year to September from BOC, the industrial gases and healthcare group, but the slowdown in earnings growth is likely to continue. Analysts expect pre-tax profit of £345m (£310m) and eps of about 45p (40.98p). A 22p (20.4p) dividend is forecast.

Whitbread is expected to report flat first-half profits of about £142m on Wednesday. Its retail operations have continued to suffer from tough trading conditions, particularly in south-east England.

First-half results of electricity companies have only limited value as they take in the spring and summer months when activity is low. However, this year's crop, which start tomorrow, are bound to attract attention because of the coal mine closures programme.

National Power starts off the month-long electricity results season with analysts expecting pre-tax profits of about £230m, against last year's £202m. PowerGen reports on Wednesday with expectations at about £100m (£97m). Dividend rises of about 10 per cent are likely.

Cable and Wireless, the telecommunications group, is expected to report flat pre-tax profits of around £355m (£351m) for the half year when it announces its results on Thursday. Strong UK performances from HongKong Telecom and Mercury Communications have been offset by the weak dollar.

Storehouse, the retailer, is expected to report a break-even first half on Thursday. Analysts are looking forward to better second-half profits of around £30m, and will be keen to hear if Storehouse is making progress on selling Habitat's loss-making US operations.

UK COMPANIES

TODAY
COMPANY MEETINGS:
Bullers, Great Eastern Hotel, Liverpool Street, EC, 9.40
Dunton Group, 25 Copthall Avenue, EC, 3.00
London & Strathclyde Trust, Gartmore House, 16-18 Monument Street, EC, 2.30
Prior, 3-4 Percy Street, W, 12.00
BOARD MEETINGS:
Finals:
BOC
NESCO Invs.
Interims:
Baring Stratton
Black Arrow
British Steel
Govett Amer. Endeavour
Jarvis Porter
Platignum
RPH
Vibroplant
Volex
Whitegate Leisure

TOMORROW
COMPANY MEETINGS:
Darby Group, Darby House, Sunningdale Road, Scunthorpe, 10.00
Multitrust, Churchill's, 59 Mount Pleasant, WC, 11.30
BOARD MEETINGS:
Finals:
Capital Radio
Cosalt
Interims:
British Airways
CML Microsystems
European Motor
Great Portland Ests.
Hazlewood Foods
Hicking Pentecost
Meyer Intl.
National Power
Readicut Intl.
Vosper Thornycroft

WEDNESDAY NOVEMBER 18
COMPANY MEETINGS:
Domestic & General Group, Watermen & Lightermen Hall, 18, St. Mary-at-Hill, EC, 11.30
EFM Dragon Trust, 97 Haymarket Terrace, Edinburgh, 12.00
Lucas Inds., Metropole Hotel, National Exhibition Centre, Birmingham, 12.00
Micklegate Group, Moorfield Business Park, Yeadon, Leeds, 10.00
Osprey Communications, Osprey House, 10 Little Portland Street, W, 10.00
Thorntons, Assembly Rooms, Derby, 11.30
BOARD MEETINGS:
Finals:
Glasgow Inc. Trust
Shanl
Sidlaw
Interims:
Anglian Grp.
Courtaulds
Drayton Blue Chip Tst.
Jerome (S)
Land Securities
M & G Inc. Inv. Tst.
M & G Recovery Inv.
Martin Currie European
PowerGen
Property Partnerships
Unigate
Whitbread & Co

THURSDAY NOVEMBER 19
COMPANY MEETINGS:
AB Electronic, Copthorne Hotel, Cardiff, 12.00
Barratt Developments, Plaisterers Hall, 1 London Wall, EC, 2.30
Intereurope Technology, Barrington House, 59-67 Gresham Street, EC, 11.00
Raine Inds., Assembly Rooms, Derby, 11.00
Throgmorton Dual Trust, 155, Bishopsgate, EC, 12.00
BOARD MEETINGS:
Finals:
Euro Disney
Henderson Strata Invs.
Hogg Robinson
Rodime
Interims:
ACT
Bristol Evening Post
Cable & Wireless
Cater Allen
Forward Grp.
Hardy Oil & Gas
Heath (CE)
Locker (Thomas)
Peena
Save & Prosper Return of Assets Inv. Tst.
Storehouse
York Waterworks

FRIDAY NOVEMBER 20
COMPANY MEETINGS:
Hong Kong Inv. Trust, Knightsbridge House, 197 Knightsbridge, SW, 11.00
BB & EA, 36 St Andrews Hill, EC, 11.30
Lyles (S), Forte Crest Hotel, Clifton Village, Brighouse, 12.00
Manchester United, Armitage Centre, University of Manchester, Moseley Road, Manchester, 11.30
BOARD MEETINGS:
Finals:
Foreign & Col. Eurotrust
Gartmore European
Interims:
Bulgin (AF)
Foreign & Col. German
TR Property Inv. Tst.

Company meetings are annual general meetings unless otherwise stated

DIVIDEND & INTEREST PAYMENTS

TODAY
Aon Corp. $0.42
Argos 2.2p
Atlas Conv. Equipment 7p
Chase Manhattan $0.30
ECU Tst. 1p
Eksportfinans 8% Nts. 1992 Y80000.0
Fairey 3.3p
JIB 2.5p
Marsh & McLennan $0.675
NatWest Fin. Junior Gtd. Fltg. Rate Nts. $128.47
NKK Corpn. 6.1% Bd. 1999 Y155889.0
Pacific Dunlop A$0.105
Plantsbrook 1p
Sharpe & Fisher 1.5p
Treasury 2% I.L. 1994 £1.3284
Yasuda Tst. Asia Pacific Fltg./Fixed Rate Gtd. Nts. 2000 $2602.50

TOMORROW
Anglia TV 2.88p
Arjo Wiggins 2.65p
Clinton Cards 1.5p
Commercial Union 9.25p
Drive Securities Class A Fltg. Rate Nts. 1996 £268.96
Do. Mezzanine Fltg. Rate Nts. 1996 £289.07
Electricite de France 11¾% Gtd. Serial Ln. 2009/10/11/12 £293.75
Homestake Mining $0.05
Linton Park 2.5p
MAI 4.8p
MB-Caradon 2.75p
Minorco $0.36
Sekisui House 5.95% Bd. 1999 Y158667.0
Trafford Park Ests. 1.725p
Treasury 9% Ln. 19.94 £4.50

WEDNESDAY NOVEMBER 18
Bank of Scot. Und. Fltg. Rate Prim. Cap. Nts. $214.03
Britannia Bldg. Society Fltg. Rate Nts. 1996 £260.16
Burn Stewart Dists. 3.33p
Chase Manhattan Fltg. Rate Sb. Nts. 2000 $127.78
Dagenham Motors 1.75p
First Chicago Fltg. Rate Sb. Cap. Nts. Feb. 1997 $134.17
Flogas IR4.98p
Hickson Int. 2.85p
Lloyds Bank Ser.B Var. Rate Sb. Nts. 1998 £275.25
London & Manchester 4.65p
Midland Bank Sb. Fltg. Rate Nts. 2001 £130.08
Minerals Oils & Res. Shs. Fd. $0.22
Nat West Bank 13⅛% Nts. 1992 A$131.25
Sheffield Insulations 1.8p
T & N 3.6p
Treasury 10% 2004 £5.0
Usher-Walker 2p
Wells Fargo Fltg. Rate Sb. Cap. Nts. 1998 $91.04
Woolwich Bldg. Society Fltg. Rate Nts. May 1994 £260.78
Yule Catto 2.5p

THURSDAY NOVEMBER 19
Boot (Henry) 1.6p
Darby 0.8p
EFM Dragon Tst. 0.08p
Exchequer 9% 2002 £4.5
Korea-Europe Fd. $0.008
NT & T 7¼% Nts. 1996 $72.50
Secure Tst. 4p
Sunset & Vine 2p
Svensk Exportkredit Retractable Nts. 1993 $81.23
Treas. 10½% 1999 £5.25

FRIDAY NOVEMBER 20
Ash & Lacy 2.5p
Bankers Tst. Int. Cap. Gtd. Fltg. Rate Sb. Nts. 1998 $134.17
Barratt Devs. 2p
Cadbury Schweppes 3.3p
Cap. & Regional Props. 0.3p
Caterpillar $0.15
Central ITV 10p
Chesterfield Props. 3.5p
Cookson 3p
Essex Furniture 1.5p
Exchequer 12% 1998 £6.0
Expamet Int. 2.09p
GT Venture Inv. 2.5p
Hasbro $0.05
Highlands & Lowlands M$0.0375
Ipeco Hldgs. 1.3p
Kerry IR0.385p
Lloyd Thompson 3.95p
Mayflower 0.4p
Medeva 0.75p
Merchants Tst. 2.65p
Multitrust 1p
Nationwide Bldg. Society Fltg. Rate Nts. 1995 $91.68
Portugal (Rep.of) 9% Ln. 2016 £225.0
Rugby 2.85p
Sime Darby M$0.145
S & U 2.4p
Thorpe (F.W.) 1.7p
Throgmorton Dual Tst. 1.75p
Tokyo Elec. Power Fltg. Rate Nts. 1992 Y273889.0
Treas. 2½% I.L. 2003 £2.1695
Treas. 2½% I.L. 2009 £2.1695
Ulster TV 4.25p
Wells Fargo Fltg. Rate Sb. Nts. Feb.1997 $134.17

SATURDAY NOVEMBER 21
Thames Water Utilities Fin. 10½% Gtd. Bd. 2001 £1050.0
Treas. 12½% 2003/05 £5.25

SUNDAY NOVEMBER 22
Conversion 10¼% 1999 £5.125
European Inv. Bank 10⅜% Ln. 2004 £259.375
TSB Offshore Inv. Fd. Ptg. Rd. Pf. 1.01p
Do. Gilt & Fixed Int. 2.36p
Do. Int. Bd. 3.5p
Do. Stg. Dep. 2.4p
Do. UK Equity 2p
Tesco 10½% Bd. 2015 £1050.0
Treas 2½% IL Cv '99 £2.0876
Treasury 14% 1998/2001 £7.0

PARLIAMENTARY DIARY

TODAY
Commons: Questions to Welsh ministers, Attorney General and Overseas Development Administration. Debates on homelessness and the mortgage crisis, and Bosnia.
Lords: Cardiff Bay barrage bill, second reading. Town and country planning orders. Dog control and welfare bill, third reading. Debate on spending on books for schools, universities and libraries.
Committees: Public Accounts, 4.30pm. Subject: Overseas aid: water and the environment. Witness, Mr Timothy Lankester, permanent secretary, Overseas Development Administration. Treasury and Civil Service, 4.30pm. Subject: 1992 Autumn Statement. Witness: Mr Norman Lamont, Chancellor of Exchequer.

TOMORROW
Commons: Education questions. Questions to the Prime Minister. Trade union reform and employment rights bill, second reading.
Lords: European Economic Area bill, committee. Insurance companies (amendment) regulations. Debate on EC report on protection of posted workers. Debate on community legal centres.
Committees: Social security: Disability benefits. Witness: Mr Michael Bichard, chief executive, the Benefits Agency. 10.30am. Treasury and Civil Service. Subject: The 1992 Autumn Statement. Witness: Mr Michael Portillo, chief secretary to the Treasury. 11am. Trade and Industry. Subject: British energy policy and the market for coal. Witnesses: Major Energy Users Council and Energy Intensive Users Group and PowerGen. 4pm.

WEDNESDAY
Commons: Scottish questions. Debate on Chancellor Norman Lamont's Autumn Statement.
Lords: Debates on the north-east economy, the UN Food and Agriculture Organisation and Ashworth Hospital. Gas (exempt supplies) bill, committee.
Committees: Environment, 9.15am. Subject: Forestry and the Environment. Witnesses: Countryside Commission; National Park Officers' Group/Society of National Park Staff. Science and technology, 9.30am. Subject: Policy and organisation of Office of Science and Technology. Witness: Professor William Stewart, Chief scientific adviser. Scottish Affairs, 10.30am. Subject: Future of Scotland's transport links with Europe. Witness: BAA; Scottish Airports Ltd; British Airways. Trade and Industry, 10.30am. Subject: British energy policy and market for coal. Witnesses: Coalfield Communities Campaign; John T Boyds, consultants; Enron Europe Ltd. Transport, 11am. Subject: Future of the railways. Witnesses: British Coal; Foster Yeoman Ltd; Post Office; Rail Freight Group; Freight Transport Association. Transport, 4pm. Subject: Future of the railways. Witnesses: National Power; PowerGen; P&O containers; TNT Express; BRS Transport division. Education, 4.15pm. Subject: Special educational needs. Witness: Baroness Warnock. Employment, 4.15pm. Subject: The employment consequences of British Coal's proposed programme of pit closures. Witnesses: Mr Arthur Scargill, president of the National Union of Mineworkers; Mr Norman Willis, general secretary, Trades Union Congress. Health, 4.15pm. Subject: Dental Services. Witnesses, Association of Community Health Councils for England and Wales; Family health service authority standing committee of National Association of Health Authorities and Trusts. Public Accounts, 4.15pm. Subject: Northern Ireland matters. Witnesses: Northern Ireland social security agency; Department of Economic Development; Local Enterprise Development Unit. Home affairs, 4.45pm. Subject: Domestic violence. Witnesses: Crown Prosecution Service; Association of Chief Officers of Probation.

THURSDAY
Commons: Home Office questions. Questions to the Prime Minister. End of Autumn Statement debate.
Lords: Criminal justice bill, committee.
Committees: Science and technology, 10am. Subject: The policy and organisation of the Office of Science and Technology. Witness: Sir Robin Nicholson, chairman of the advisory council of Science and Technology. National Heritage, 10.30am. Subject: Privacy and media intrusion. Witnesses: Mr Desmond Brown QC; Mr James Michael, University College, London.

FRIDAY
Commons: Backbench debate on workforce and right to work.
Lords: Not sitting.

CONFERENCES & EXHIBITIONS

NOVEMBER 25
Remuneration Strategies For The '90's
Reducing salary costs and motivating staff do not have to be mutually exclusive. This seminar for owner managers provides proven ideas on achieving competitive advantage using the latest tax developments. Contact: David Wilkinson, Ernst & Young. Tel: 071 931 2335. Fax: 071 353 8134.
LONDON

NOVEMBER 26
Financial Reporting In The UK
The conference will review the Accounting Standards Board's progress and proposals for the treatment of capital instruments, profit and loss accounts, the operating review, off-balance sheet instruments and intangibles.
Enquiries: Financial Times.
Tel: 071-251 9321. Fax: 071-251 4686.
LONDON

NOVEMBER 26–27
1992 Financial Industry Crime Conference
"The Risk of Criminal Liability"
An exploration of the risks of criminal liability for auditors, bankers, compliance officers, corporate financiers, insurers, lawyers and stockbrokers. Top speakers, practical solutions. Topics: Advisers; Liability; Money Laundering; Securities-related crime. Contact: Anna Pearson, Lafferty Conferences, London.
Tel: 071-782 0590. Fax: 071-782 0596
LONDON

NOVEMBER 27
Information for Strategic Planning
Full Day: 9.00am–5.00pm. Content: This seminar looks at key areas of activity in Strategic Planning and provides practical examples of the types of information needed to carry out specific planning activities. Cost: £195 (including lunch and on-line demonstrations). Contact: Yasmin Ganes 071-262 5050 ext. 3229. Location: London Business School.
LONDON

NOVEMBER 30 & DECEMBER 1
Managing Financial Risks
The Workshop is an intensive, practical course aimed at those who wish to understand the principles and practices of financial risk management.
Enquiries: Financial Times.
Tel: 071-251 9321. Fax: 071-251 4686.
LONDON

NOVEMBER 30 – DECEMBER 1
4th Nordic International Corporate Tax Planning
The fourth symposium will advise Nordic companies on how to approach and obtain the best from their worldwide tax position by examining the domestic and international tax laws.
Contact: Vicki Goffin, IBC Legal Studies and Services Limited.
Tel: 071-637 4383. Fax: 071-631 3214.
LONDON

DECEMBER 1
Business In The Future Europe
Part of The Advent for Europe, a British Presidency event, the conference will examine: the impact on Business, political, regional, East Europe and Northern are topics. Contributors include: Wilhelm Nolling, Gerhard Stoltenberg, Patrick Sheehy and Neil Kinnock.
Details from: Mr Marc Lea.
Tel: 0225 466744. Fax: 0225 422903.
DURHAM

DECEMBER 1
Developing A Business-Driven I.T. Strategy
This one day conference show how the effective management of the process of strategic planning and implementation can lead to the successful use of I.T. to support business objectives.
Contact: Business Intelligence.
Tel: 081-544 1830. Fax: 081-544 9020.
LONDON

DECEMBER 1 & 2
World Telecommunications
This year's conference will focus on the trends changing the shape of the industry: deregulation, privatisation and globalisation. Financing the infrastructure in the Third World and Eastern Europe will also be reviewed.
Enquiries: Financial Times.
Tel: 071-251 9321. Fax: 071-251 4686.
LONDON

DECEMBER 2 & 3
The 2nd International Operations & Settlement Conference
A two day conference for Fund Administrators and Investment Managers charged with handling international portfolios; Senior Operations Officers and Communications Managers in custody registration or depository services to assess the scope for practical measures to reduce costs and lessen market and credit risk. The Royal Kensington Hotel. Contact: Adam Lawrence, Equity International Conference Division.
Tel: 071 403 8785.
LONDON

DECEMBER 2–4
Venture Forum Europe '92
Forum sessions will focus on performance measurement, investor relations, direct investments by institutions, exit strategies and succession problems in European owner-managed businesses.
Enquiries: Financial Times.
Tel: 071-251 9321. Fax: 071-251 4686.
LONDON

DECEMBER 3
How Secure Is Your Job?
Whether negotiating their own employment contracts or drafting those of their employees, directors should be wary. This Institute of Directors seminar is divided into two independent sessions highlighting vital factors in both areas.
Enquiries: Director Conferences.
Tel: 071 730 0022.
LONDON

DECEMBER 7 & 8
The 7th International Energy Conference – World Energy Demand: Is Growth Inevitable?
Convened by The Royal Institute of International Affairs, The British Institute of Energy Economics and The International Association of Energy Economics.
To be held at Chatham House, London.
Enquiries: RIIA Conferences.
Tel: 071 957 5700. Fax: 071 957 5710.
LONDON

DECEMBER 9
Tailor-Made For Japan – Market Strategies For Success
Keynote speech Rt Hon Michael Heseltine MP. An evening seminar with integrated TV presentation held simultaneously in London, Birmingham, Glasgow and Manchester. Research results into Japanese attitudes to UK industrial goods, implications for British companies, question time and success stories. Tel: 071-727 9732.
LONDON & VARIOUS

DECEMBER 10
Britain's Energy Policy And The Coal Crisis
A one-day technology Forum at the Institution of Electrical Engineers when leading figures will debate the issues involved in developing a long term energy strategy for Britain. Contact: Sarah Campbell. Tel: 071-240 1871 Ext 314. Fax: 071-497 3633
LONDON

DECEMBER 10
A Director's Guide to Profitable IT Strategy
Senior Executives are reporting growing concerns about the amount spent on IT and the increasing difficulty of justifying the expense in terms of the bottom line. The seminar will examine how the benefits of IT can be assessed and maximised in line with your organisation's objectives. Contact: Fiona Rogers, ITnet. Tel: 021 459 1155. Fax: 021 459 2199.
BIRMINGHAM

DECEMBER 10 & 11
Avmark's Seventh Annual Conference on European Aviation:
"Strategic Choices and Financial Options in the Liberalised Market"
Third Package practical implications; the Euro-charters; repercussions of deregulated competition in the North Atlantic; and financial conditions.
To be held at the Hyde Park Hotel.
Contact: Emma McCrow, Avmark.
Tel: 071 821 6788. Fax: 071 834 4372.
LONDON

DECEMBER 14 & 15
World Pulp & Paper
Arranged by the FT in association with the Confederation of European Paper Industries, international industry leaders will discuss long-term prospects for the industry and assess how corporate strategies are changing in a more complex and competitive environment. Enquiries: Financial Times.
Tel: 071-251 9321. Fax: 071-251 4686.
LONDON

MARCH 18–19 1993
Negotiating Skills For Accountants And Financial Managers
A specially tailored programme for finance professionals which will help you prepare, control, influence and get the result you want. Hawksmere Ltd.
Contact: Toni Weeks.
Tel: 071 824 8257. Fax: 071 730 4293.
LONDON

INTERNATIONAL

DECEMBER 8–9
Competitive Intelligence
Strategies. Objectives. Organisation. Techniques. Benchmarking. Analysis. Seminar presented by Kirk Tyson, author of "Competitor Intelligence Manual & Guide". For managers and analysts with business development, planning, and information responsibilities. Contact IIB SA, Geneva. Tel: (41) 22 362 7767. Fax: (41) 22 362 7792.
CZECHOSLOVAKIA

DECEMBER 8–9
Finance In The Global Metals Industry
This two day conference provides a timely forum for bankers, stockbrokers, miners, producers, traders and brokers to discuss new and innovative lines of finance now in play. Contact: Metal Bulletin Conferences. Tel: 081-330 4311.
NEW YORK

DECEMBER 14–15
NATO-Wide Industrial Cooperation And Production Sharing
Approaches, Possibilities, Constraints. ISSC Conference. Hotel Sofitel Airport International Seminars and Symposia Centre. Tel: (+49) 228-6483-168.
Fax: (+49) 228-6483-200
BRUSSELS

JANUARY 27 & 28 1993
Suter + Suter Pharma Symposium '93
"Turning Strategy Into Reality". The symposium includes speeches, workshops and visits to pharma companies in Basel. For a full conference programme, please contact: Suter + Suter Pharma, Mr. Rolf Lüthi or Mr. Marcel Hug, P.O. Box 632, CH-4010 Basel. Phone: +41 61 275 75 75. Fax: +41 61 275 74 74.
BASEL

EXHIBITIONS

NOVEMBER 16–18
The Financial Services Jobs Fair, Olympia 2, Level 2
Talk to the leading financial institutions at Olympia on Monday Nov 16th – Wednesday Nov 18th. Find out which financial company will give the best training, support and rewards.
Doors open 11 am – 7 pm 16th & 17th, 11 am – 5 pm on 18th. £3 admission.
LONDON

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FT CONFERENCES

FINANCIAL REPORTING IN THE UK
London, 26 November
The Accounting Standards Board's proposals for the treatment of off-balance sheet finance and capital instruments, mergers and acquisitions, goodwill, the operating and financial review and the profit and loss account will be reviewed by Mr Andrew Lennard and Mr Allan Cook from the ASB; Mr P Raymond Hinton of Arthur Andersen; Mr Graham Stacy of Price Waterhouse and Mr Nigel Stapleton, Chairman of the Technical Committee, 100 Group of Finance Directors.

WORLD TELECOMMUNICATIONS
London, 1 & 2 December
At the heart of the debate of this year's annual FT conference will be the trends changing the shape of the telecommunications industry – deregulation, privatisation and globalisation. Other subjects for discussion include financing telecommunications technology and mobile communications. Speakers include Dr Christian Schwarz-Schilling, German Minister of Posts and Telecommunications; Mr Alfred Sikes of the Federal Communications Commission; Mr Michel Carpentier of the Commission of the European Communities; Dr Pekka Tarjanne of the ITU and Dr Saul Lanyado of STC Submarine Systems.

VENTURE FORUM EUROPE '92
London, 2–4 December
Co-sponsored by the Financial Times and Venture Economics, the Forum brings together an expert speaker panel to review the opportunities for venture capitalists in a rapidly changing European environment. Forum sessions will focus on performance measurement, the need for investor relations in venture capital, direct investment by institutions, exit strategies and succession problems in European owner-managed businesses.

THE PETROCHEMICAL INDUSTRY – STRATEGIES FOR SURVIVAL
London, 8 – 9 December
This year's conference will focus on restructuring and rationalisation, consider the challenges of making operations more competitive and discuss the role of mergers, acquisitions and strategic alliances. Speakers taking part include: Mr Ronnie Hampel of Imperial Chemical Industries; Mr Peter Kwant of Shell International Chemical Company; Mr Stephen Pettit of BP Chemicals and Dr Italo Trapasso of Montecatini.

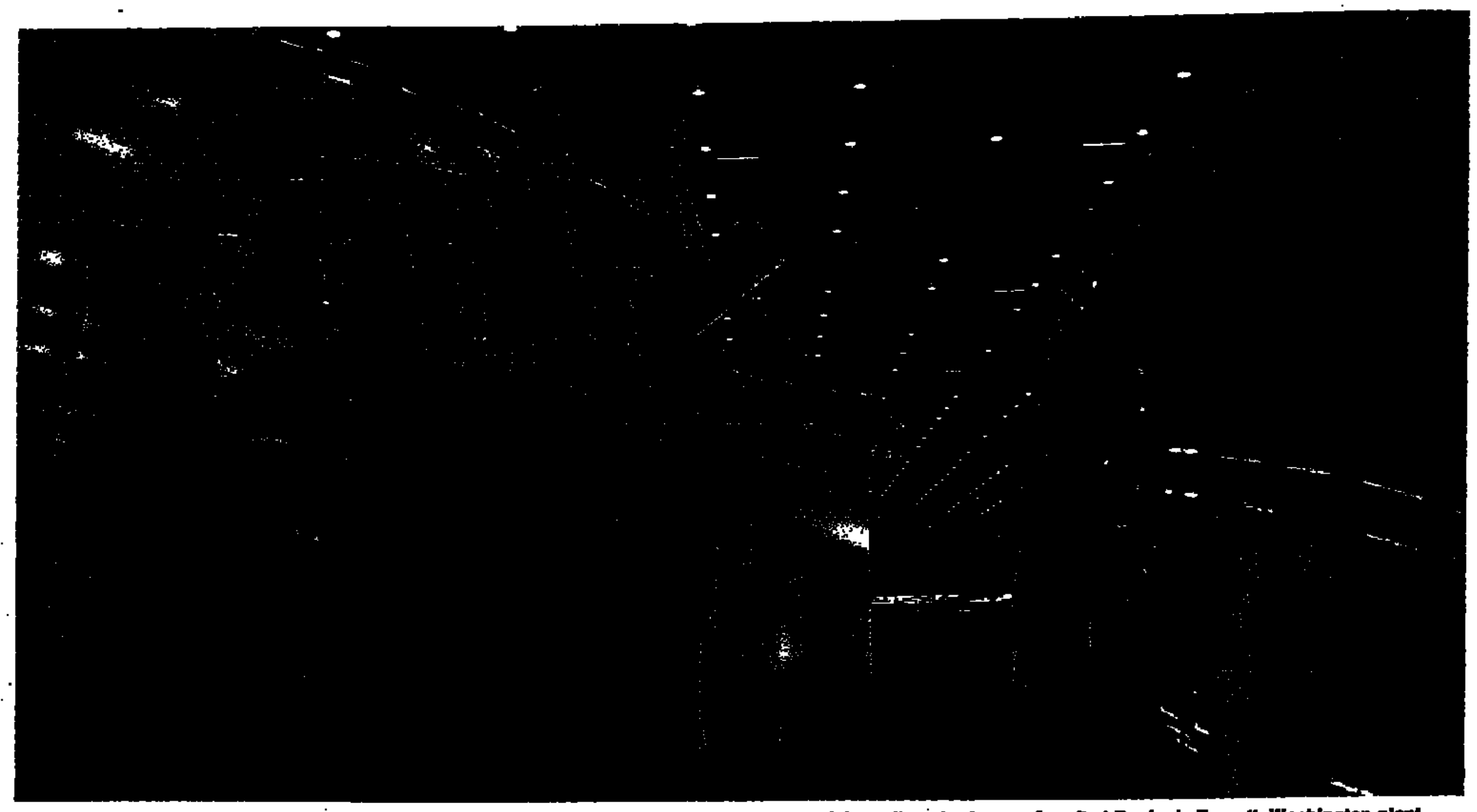
WORLD PULP AND PAPER
London, 14 – 15 December
The conference arranged by the Financial Times in association with the Confederation of European Paper Industries will review the long-term prospects for the industry and assess how corporate strategies are changing in a more complex and competitive environment. New horizons and new opportunities opening up for the future will also be assessed. Speakers include Dr Bo Berggren of STORA; Mr Alain Soulas of Arjo Wiggins Appleton; Mr Erling S Lorentzen of Aracruz Celulose; Mr Dick Eykel of N.V. Royal KNP; Professor Eduard Akim of the All-Russian Pulp and Paper Research Institute and Mr H C Bowen Smith of Dillon, Read & Co.

All enquiries should be addressed to: Financial Times Conference Organisation, 102-108 Clerkenwell Road, London EC1M 5SA. Tel: 071-251 9321 (24 hr answering service) Telex: 27347 FTCONF G, Fax: 071-251 4686.

MANAGEMENT

Alcoa has turned conventional wisdom on its head as part of a radical reorganisation, says **Kenneth Gooding**

Quantum Leap into the dark



Sven Axter (left) of Boeing and Alcoa's Pete Wright compare notes on the development of aluminium alloys for future aircraft at Boeing's Everett, Washington plant

Paul O'Neill is giving one of America's oldest, most hide-bound and hierarchical corporations the biggest management shake-up in its history.

From his position as chairman of the Aluminium Company of America (Alcoa), he suggests that the world's biggest aluminium producer – like too many other companies – has been following ideas rooted in the industrial revolution.

Companies attempt to establish standard patterns and practise them uniformly anywhere in the world. Their purpose is to "eliminate the upsets that come from human beings and to make things ever more mechanical and robotised".

O'Neill suggests: "The value of that model is exhausted. The model of the future for a company like ours is one where there is a framework that is understood and accepted by managers and employees but where there is an expectation of local initiative and creativity and testing the boundaries, rather than doing what somebody orders from thousands of miles away."

To this end O'Neill has inverted the conventional management pyramid at Alcoa. Instead of having the chairman at the top and the production group at the bottom, O'Neill has put the customers at the top with the operating units – the wealth-creators – directly beneath. Each layer then supports the one above and O'Neill sees himself at the bottom.

Rather than the usual chain of command, the heads of each of Alcoa's 25 business units have been given considerable responsibility to manage their operations in their own way. They report to O'Neill and also have the help of a three-strong team of "counsellors", all previously senior vice presidents.

Paul O'Neill: taking stock of progress

When the FT last looked in depth at the company a year ago, O'Neill had told his business unit managers to analyse the performance of their best competitors and he had given them two years to get to 80 per cent of that "best". He estimated then that by 1995 the so-called Quantum Leap programme would add $1bn to Alcoa's operating profits. Now, half way through the programme, O'Neill is taking stock of progress.

In his office in one corner of the 30th floor of Alcoa's headquarters building in Pittsburgh, O'Neill seems a happy man. A small, energetic person, he frequently swings his chair away from his desk to grab a "mouse" to bring up statistics to prove a point on the computer screen behind him.

He is now confident that, rather than an extra $1bn from the Quantum Leap, Alcoa could reap an extra $2-3bn in operating earnings – "if we could operate at the limit of our potential". Alcoa's best achievement so far was operating earnings of $1.4bn in 1989.

"In many respects they [Alcoa business unit managers] have exceeded both mine and their own expectations about the level of changes they could make and the pace at which they could make them," says O'Neill.

Alcoa's size – 157 locations worldwide – makes it impossible to pinpoint exactly how much Quantum Leap has contributed to the company's financial performance so far. But O'Neill is sure that the programme is giving Alcoa an edge on its competitors.

One reason the programme is going so well, he believes, is because each of the business unit presidents set their own goals. O'Neill says: "I asked them to give me their ideas on how we could achieve 80 per cent of the world's best practical limits as we know them. They were asked what the measures for the Quantum Leap should be and how they should be attained and the pace at which they should be accomplished. And there was not a single plan that I did not 'buy'. If you leave it to individuals to set their own goals, usually they set goals more difficult than a third party would set for them."

The "counsellor" system is also working well, says O'Neill. "This system enables the business unit people to talk to others who have seasoned judgment without feeling they are talking to the boss. They can get a different perspective but they don't have to take the counsellors' advice. We have created a group of 'wise men' for the business unit managers to consult."

Information flows freely around Alcoa via its computer network. If a smelter in Brazil cracks some complicated technical problem, all of Alcoa's other smelters know about it almost immediately. The most important exchanges take place on Friday afternoons when the business unit presidents tap in information about all the most important happenings and trends in their organisations. This information is not just for O'Neill but is available to all senior managers, so the presidents read one another's reports. O'Neill suggests this system makes it almost impossible for an individual to hide any bad news from the others for very long.

While the presidents are running their businesses like individual entrepreneurs, O'Neil spends a great deal of his time working on Alcoa's strategy, particularly on its expansion outside the US.

"Alcoa needs to expand significantly outside the US: we continue to look at a lot of things. But we won't jeopardise our financial position for the sake of growth," says O'Neill.

Meanwhile, a year through the Quantum Leap process O'Neill is sure that most of the original goals will be met and "some will be met far sooner than we expected. In some businesses we have made so much progress that already we are looking at major improvements to the goals set in the last quarter of 1991."

Multinationals face game of snakes and ladders

Christopher Lorenz reports that companies must change the way they recruit and retain staff

There can hardly be a company in Europe, America or even Japan where employees are not fearful for their jobs because of current economic pressures and the more deeply rooted trend towards "delayering" and "downsizing" of organisations.

But this does not mean that the fast-growing number of companies with international operations can now forget their late-1980s worries about how to recruit and retain highly skilled managers and other employees. Far from it.

This is not only because the much-debated "demographic timebomb" is still very much a reality in most European countries: a sharp fall is occurring in the number of 15 to 19-year-olds, which will be followed by stagnation well into the 21st century - except, curiously, in the UK, which has been experiencing a baby boom.

At the same time, many companies that increased their workforces in the 1960s will face retirements en masse after the year 2000. The effect of this will be compounded by the declining popularity among some employees of a single-company career. Many people are becoming more choosy about what might be called the quality of life in the workplace.

A number of other factors is also contributing to the recruitment and retention problems of multinationals in particular: international mobility is being hit as managers take more account of the wishes of their working spouses and children; and a growing number of adults is reluctant to move because they care for ageing parents.

The continued existence of all these challenges emerges from an article in the latest Sloan Management review by Paul Vanderbroeck, human resources manager of Shell Research in Schwabenheim, Germany*. He suggests a series of actions that multinational companies should take in response to all these challenges. Some actions are obvious, others less so.

- Companies will need to hire – and promote – more women.
- They must broaden their recruitment by hiring more people abroad, not just for local jobs, but ones throughout the company.
- They should hire more older managers, with more experience. And they should consider introducing a flexible retirement age for key staff, in order to retain high-quality people longer. At the same time, however, they should use "outflow management" as a real career development tool for people who have peaked and really would be better off elsewhere.
- They should get more out of existing managers through training and job rotation. To keep the workforce flexible and deployable, a substantial and unrelenting effort will be required.
- Multinationals will have to fight competition from small businesses and other employers. They may be able to "market" themselves to graduates and others by demonstrating the challenges offered by their own new organisational structures – ones which favour small units, quick lines of communication, and entrepreneurship.
- Companies with newly shallow structures will also need to develop horizontal and diagonal career lines in order to reward staff and avoid career plateaus.

It cannot be overstressed, says Vanderbroeck, that a condition for successful horizontal career development is the decoupling of hierarchy and remuneration. A manager's remuneration should be based on skill and contribution, not on the conventional basis of position in the hierarchy, size of budget and number of subordinates.

- As for international deployment, multinationals will have to provide services to the spouses of expatriate managers, helping them find jobs. 3M, the US group, offers a dislocation allowance, subsidies for studies abroad, and placement service allowances upon return.

**Long-term Human Resource Development in Multinational Organisations. Fall 1992 issue. Fax (US) 617-253-7170.*

PEOPLE

Fanshawe for Sedgwick; Jackson for Royal

Lord Fanshawe (right), formerly Sir Anthony Royle, is to take over as chairman of Sedgwick, the insurance broker, following the departure of David Rowland who is expected to be elected chairman of Lloyd's of London later this month. Lord Fanshawe, now 65, is currently working with Sedgwick's development group and has served on the main board since 1984.

He joined Sedgwick Collins in 1948 and worked with the group both on an underwriting box at Lloyd's and as a senior marine broker in the 1950s. Lord Fanshawe was elected MP for Richmond in 1959 and served as a minister in the foreign and commonwealth office from 1970 to 1974 as deputy to Sir Alec Douglas-Home. His other directorships include the Westland Group, TI Group and Rank Xerox.

Royal Insurance has appointed Peter Jackson, former managing director of Adidas UK, as its new group general manager for marketing. In supervising marketing operations, he will be part of a team of senior executives, the first time Royal has appointed a marketing manager at head office level.

The move follows the appointment of a number of other senior executives at Royal who do not have a background in either the general insurance or life insurance industries.

Richard Gamble, the chief executive, joined Royal from British Airways, while finance director Mike Dowdy also comes from outside the insurance industry.

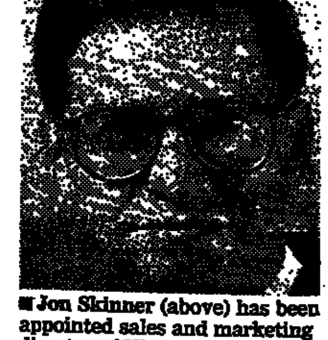
Now in his early 50s, Jackson has experience with Mars and Procter & Gamble, as well as Adidas. He says he is keen to gain maximum advantage from Royal's well-known brand name, explaining that the emphasis on marketing at Royal reflects "the way the business is trending".

One of Jackson's first tasks could be a re-evaluation of how Royal markets its direct motor insurance operation (sales by telephone and mass media advertising), The Insurance Service. Set up in the late 1980s, TIS now underwrites three out of every 10 motor policies sold by Royal, and is making underwriting profits.

Insurance moves

- **Miles Ritchie** has been appointed md of FENCHURCH London following the retirement of Terry Taunton.
- **Richard Fulford-Smith** has been appointed a director of H CLARKSON.
- **Neville Walton**, formerly a director of L&G's life & pensions division, has been appointed director (broker & commercial insurance) at LEGAL & GENERAL INSURANCE.
- **Stan Pearson**, head of fixed interest investment, and **Tony Whalley**, head of derivatives and quantitative analysis, have been appointed investment directors of SCOTTISH WIDOWS Investment Management.
- **Timothy Barber** has been appointed a director of BRADSTOCK WICKHAM.
- **Nigel Botting** has been appointed a director of EDGAR HAMILTON (Marine).
- **Peter Richardson**, formerly head of group risk management at BUPA, has been appointed national development director at BAIN CLARKSON, parent of Inchcape.
- **Alan Prestwich** has been appointed marine director of LONDON & EDINBURGH INSURANCE GROUP on the retirement of Neale Harris; he moves from Orion Insurance.
- **Bertie Tuckey**, a partner in BDO Binder Hamlyn, and **Michael Willett**, chairman of Britannic Assurance, have been appointed chairman and deputy chairman respectively of METHODIST INSURANCE.
- **Mike Yardley**, a director of ROYAL LONDON INSURANCE, has been appointed chief investment manager on the retirement of Cyril Brill.
- **Gareth Trevor** (below), formerly director of employment policy, has been appointed general manager of human resources at PEARL ASSURANCE.

- **Michael Betts** has been appointed SCOTTISH TRAFFIC COMMISSIONER; he replaces Keith Waterworth who has been appointed North Eastern Traffic Commissioner, succeeding Fred Whalley who has retired.
- **John Tobin** has been appointed finance director of BATLEYS in place of John Stevenson who has resigned.
- **David Shaw** has been appointed md of Redcastle, part of BURTON GROUP; John Bywater has resigned.
- **Nick Blachford**, formerly sales and marketing director at Iveco-Ford Truck, has been appointed sales director of SEAT UK. Robert Pollard is appointed marketing director.
- **Michael Nehrmann**, formerly head of sales planning and support with the TSB, has been appointed head of marketing at MANWEB.



- **Jon Skinner** (above) has been appointed sales and marketing director of Vinylex, part of HEYWOOD WILLIAMS GROUP.
- **Colin Morrison**, executive chairman of EMAP's business publishing division, has been appointed to the main board.
- **Keith McEwan** has been appointed a director of WILSON BOWDEN.

Eddies from Copp's departure

Biwater, the privately-owned water contractor which also controls three water supply companies, has appointed Kenneth Gardener as chairman of Bournemouth and West Hampshire Water companies, following the resignation of Martin Copp.

Gardener, 65, who spent two decades at ICI and who has been a director of telecommunications group STC since 1987, has been on the main Biwater board on a part-time basis for six years and is vice chairman (finance) and chairman of its finance and audit committee.

Shortly before the resignation of 54-year-old Copp, who was also deputy chairman of East Worcester water company, Biwater had effected an internal reorganisation whereby the three water companies were put into a new division, entitled Biwater Supply (Holdings), with Biwater executive Robin Turrell installed as chief executive.

"I felt the company wanted to get more and more involved (in running the water supply companies). I could no longer clearly see a role for an independent chairman," says Copp, who has recently become a non-executive director of Portsmouth Water.

Biwater owns 98 per cent of Bournemouth and 80 per cent of both West Hampshire and East Worcester.

Copp is an economist with a merchant banking background. Once regional director for the south of England for Slater Walker, he moved after the group's collapse in the secondary banking crisis of 1974-75 to Singer & Friedlander, where he ran the Bournemouth office.

Subsequently, he has pursued a variety of other business interests; he was non-executive chairman of Fyne Machinery, which was sold to Beazer Engineering in 1986 and a founder-director of commercial radio company Ocean Sound.

Colin Amery visits the new Supreme Court in Jerusalem

Tablets of stone

Historic moments are rare. It was a privilege to be in Jerusalem last week for an important moment in the history of Israel: the completion of the new Supreme Court. Trumpet, drum and harp sounded. A sea of notables filled the great hall to applaud and solemnise the inauguration of the seat of the law. Only Jerusalem could have provided the procession of president and patriarch, priest and rabbi, hooded Armenian and dusty robed Orthodox as well as the graciousness and glitter of the internationally committed group of supporters of Israel.

In 1986 I was asked to be a member of the international jury to select an architect for a new Supreme Court. The project was to be entirely funded by the Rothschild family foundation in Israel, Yad Hanadiv. There is an appropriate symbolism in the opening of the courts for the Rothschild family: it marks the 100 years since Baron Edmond de Rothschild supported the first Jewish settlements in Eretz Yisrael. It also is a major landmark for the family foundation that has consistently given discreetly to innumerable projects in Israel. In 1957 the foundation gave Israel its Parliament buildings, the Knesset, the first major public building in what is now becoming the National Precinct in West Jerusalem. The new Supreme Court is located in the same area – that part of the new Jerusalem which lurks round the foot of the inelegant tower of the Hilton hotel. The whole area is gradually to be integrated with older Jerusalem by a new master plan.

When judging the international competition to find an architect the jury had to tackle two problems. Firstly there were all the sensitivities of placing a new public building on an important site that is not yet anchored in the city. The second challenge was to find a design that could symbolise the enormous significance of the law in Israel and yet not be oppressive or overweening in its language. Not for Jerusalem the weight and pomposity of the courts in Brussels or the gothic mystery of England's House of Lords.

The winning design was produced by two Israeli architects – the brother and sister team of Ada Karmi-Melamede and Ram Karmi from Tel Aviv. The fact that they came from a distinguished architectural family in Israel perhaps gave them the crucial edge in understanding both the landscape and architectural traditions of Jerusalem and the delicate question of the appropriate architectural symbolism for this commission.

The architects have built before in Jerusalem, but this is their first joint project. Things change during building but I can say with a certain detachment that the final result is a triumph. My own reason for choosing these architects was that they seemed to have a wonderful understanding of the simple elements that make up the architectural context of Jerusalem. Two of these are light and history. As the architects have said, Jerusalem is "possessed by light and obsessed by its past". I would add that above all it is a city of stone.

The challenge for any architect building a public building in Jerusalem must be – how to let the tide of history wash over your late 20th century drawings. To be asked to enshrine the law in Jerusalem is almost like being asked to design the Temple. The architects made one crucial decision that supports all the others: the building is seen as part of the land. It is long and low, rooted in the soil and introverted. As in the Old City, you are always aware of the walls. In the new Supreme Court the dignity of the outer walls extends inside with a long and powerful spine wall that runs through the centre of the building. It is a reminder of strength rooted in the land.

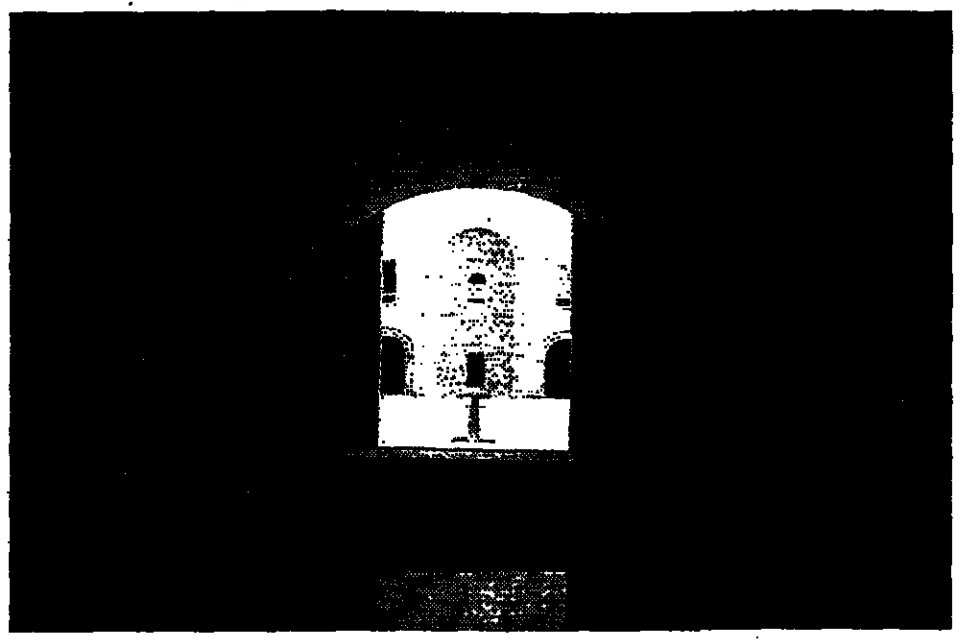
On one side of the spine are the five courts and on the other are the giant, tall public foyer and the law library. The public entrance is at the knuckle joint of the plan between the judges offices and the courts. The entry is tight, presumably as a security funnel, but soon widens to a grand stone staircase with a sumptuous view of Jerusalem through a large curved window. Here you turn into the second "gate" of the courts – a square hall beneath a soaring pyramid roof. The visitor is urged to look upwards at this point because here the architects' understanding of light is seen at its most concentrated. Four circular openings at the apex of the pyramid allow a column of light to move around the space in much the same way that light moves around Rome's domed Pantheon from a single occulus.

This square hall and turning point in the plan is encircled by a curved library of unassailable elegance. To move from the geometric intensity of the pyramid to the grand and relaxed curved hall of the public foyer is to experience an expansive contrast. Of course the grand arcade of Le Corbusier's Chandigarh courts comes to mind – but here is marble, plaster and golden stone, not sad and stained concrete. The five courts open from this public space, each with its own stepped doorway cut and polished from the same roughly hewn stone of the great wall.

Although the courts differ in size and detail, they share the language of concealed sources of natural light and all have inner walls that are separate from the outer stone shell. Judges will sit beneath smooth plaster apses contemplating the calm atmosphere of these five rooms. Above all it is the sensitive manipulation of light and the simplicity of the detail and furnishings that makes these rooms beautiful.

When not in court the 12 Supreme Court judges will occupy a set of fine offices grouped around a stone cloistered courtyard. It is a place of silence interrupted only by the sound of a narrow rill of water moving gently as though in some Moghul garden. This courtyard is a brilliant example of an architecture suggestive of tradition and yet immaculately made in the late 20th century.

The opening of the Supreme Court in Jerusalem was accompanied by a major international seminar on "The Public Building – Form and Influence" that prompted lively international debate. But words do not make buildings. Jerusalem's Supreme Court shows in stone the power of strong architectural talent and judgment. It has a timeless and elemental strength that miraculously reflects the law itself.



The power of stone: Jerusalem's new Supreme Court reflects the enormous significance of the law

Opera

Heavy-handed Ida

The new Gilbert and Sullivan offering at the Coliseum, a heedlessly energetic blending of the crass, the coarse and the witless, sets the seal on a discreditable era of operetta performance at the English National Opera. At this season's end the company's artistic triumvirate of Peter Jonas, David Pountney and Mark Elder, 10 years old, will be folded up; and no doubt many eulogies on the theme of Ten Glorious Years are already planned to accompany their departure.

Most of these will be richly deserved; but this lamentable *Princess Ida* affords the opportunity – irresistible to any critic worth his salt – of getting in early with a discordant note. For, following on *Orpheus in the Underworld*, *The Mikado* and last season's *Fledermaus*, it cruelly confirms the judgment (in *Opera* magazine) of the theatre critic Michael Billington: "ENO, brilliant at cracking the tough nuts of the operatic repertory, (has been) fatally heavy-handed with the lighter stuff."

It is as though the desire to do these works – and, no doubt, to squeeze badly-needed box-office juice from them – has clashed somewhere with the strain of almost puritanical didacticism that has informed many of the company's "tough nut" successes over the last decade. All the above-mentioned productions – even *The Mikado*, lightest-fingered of them – have relied on elaborate feats of design as a method of satirical point-making.

The tradition that in operetta the comic powers of the leading players serve best as articulators of entertainment has very largely been abandoned. And with it have been sacrificed the fizz, the glow of pleasure, above all the edge of satire which these shows have been so cumbersomely constructed to hone.

Princess Ida, perhaps the most lumpish of the lot, is Ken Russell's first production in a British opera-house. (The celebrated film director has already gained a reputation for creating opera "controversies" on the Continent.) The style is McGill postcard crossed with *Carry On* carry-on. The time is 2002, the location a Buckingham Palace reduced to a theme-park called Buck'n'Yen (geddit?).

King Hildebrand is a Charles look-alike with big ears (the theme-park logo); Gama and his three sons are Japanese, with jokes to match; his daughter Ida is mysteriously Occidental in appearance, and her Castle Adamant adherents variously don boots, leather and lace. (The strict logic of farce is not something Russell and his designer James Merifield seem to have bothered about overmuch.) I laughed three times in Act 1 – at the camp antics of Hilarion's companions Cyril and Florian, at the waterslide out of the palace, and at Richard Van Allan's nicely observed Hildebrand-as-Charles body-language.

Thereafter evening I slumped in disbelief, and tedium, ever greater, at the sheer incompetence of the stagecraft – the bad-blocking, the messy finale line-ups, the placing of key singers so far upstage that their dialogue needs amplification, the weakly distracting routines during arias, the air of provincial panto that takes over the end.

The whole thing seems to have been got up as a New Look at a work – since Gilbert's "Respectful Perversion" of Tennyson's *The Princess* has developed a reputation for unacceptable anti-feminism, apparently such a thing is required. Yet, reading the libretto earlier in the day, I was struck by just how newly topical its struggle of the sexes could prove to be, in a production more alert to wit, more concerned with comic character, less lame-brained in its knockabout.

At least the finesse, elegance and charm of the music – this is one of the richest Sullivan theatre scores – are conveyed; we owe this demi-miracle to Jane Glover in the pit, and to her knack of keeping the rhythms and textures fleetly flowing in defiance of all the production clunking. One performer, Geoffrey Dolton as Florian, lights up the stage with his zest and sparkle. It is sad that so many others of ripe and proven talents are shown off so disadvantageously: the bright-toned young soprano Rosemary Joshua in the title role, Mark Curtis (Hilarion), Anne Collins (Lady Blanche), Anne-Marie Owens (Lady Psyche), and, as the Sushi-King Gama, a distressingly unfunny Nickolas Grace.

Max Loppert

Princess Ida, Coliseum, WC2; in repertory until January 21

Alastair Muir

Rosemary Joshua as Princess Ida

Theatre

Dangerous Corner

J.B. Priestly (1894-1984) wrote his first play, *Dangerous Corner*, in 1932. England was in recession, unemployment around three million, and society changing rapidly. Under identical circumstances in 1992, Priestly's message holds true: the future must be reworked from the past, learning from mistakes. The Birmingham Rep's production of *Dangerous Corner* offers a meticulous account of this unquiet comedy thriller, entertaining and instructive.

Dangerous Corner belongs with *Time and the Conways* (1937), *An Inspector Calls* (1946) and with Anthony Ackland's *The Dark River* (1939). All are forensic studies of society which start in the present to uncover the past.

The production opens with a billowing curtain drawn upward, like a dust sheet, revealing a frozen social tableau. A chance after-dinner remark about a cigarette box leads six upper-middle class characters into a sticky web of connection. They deep question each other into the early hours. All emerge as liars, sometimes pernicious, but more often muddled and confused: "The real truth is something so deep you can't get at it; all half-truth does is to blow it all up. It isn't civilised."

Priestly contrives a plausible ending by making the news of past events bear on present relationships. But the play commits itself to more than the search for truth, since the action uncovers sex, drugs, greed and hatred beneath the sober patina of polite society. It amounts to social archaeology. Just as Priestly's *English Journey* (1934) found old England in York and Durham, Victorian England in Manchester, and post-war England in filling stations and cigarette coupons, so *Dangerous Corner* finds women's sexuality in an after-dinner smile, new commercial attitudes in the flourish of a dress, old values in a formal goodnight.

Robert Jones' excellent design is a simple drawing-room with the Priestly essentials: whisky and a way out to the conservatory. Gwenda Hughes's direction misses the fun and cliché embedded in the play, and takes itself too seriously: one woman *returns* to the party, convinced she is being talked about; an outraged hostess awaits her husband's crooked business partner with "he'll get no sandwiches from me". The acting of Marilyn Cutts, Graham Padden and David Hobbs catches some of Priestly's wit; the other actors have yet to find the right tone.

Priestly offers a quiet coda, repeating the first scene, in which the casual question which started the previous three acts is deftly turned aside, a road not taken. It is a witty turn into a social rather than philosophical definition of truth. But then, even serious philosophers can be distracted: Bertrand Russell once asked G.E. Moore, "Do you always tell the truth?" Moore replied, "No." Russell recalled: "That was the only lie I ever knew him to tell."

Andrew St George

Birmingham Rep (021 236 4455)

Wexford Trilogy

On the first three Saturdays in December it is possible to see all three plays in Billy Roche's Wexford Trilogy performed on the same day. Since London's tiny Bush Theatre will be almost certainly booked out, it may be wise to try to catch any one of them while they appear separately on week nights.

The order does not greatly matter. Each play stands on its own. What they have in common, apart from the authorship, is a huge amount of insight into life in a small Irish town and a marvellous cast directed by Robert Lefèvre. The first, *A Handful of Stars*, is set in a billiard parlour, the second, *Poor Beast in the Rain*, in a betting shop, while the third, *Belfry*, moves as its title suggests close to the church.

Until last Saturday I thought *Belfry* was the best, largely because it shows Roche continuing to mature as a writer. Yet *Poor Beast* is at the heart of the trilogy, for here we come up most sharply against the tragedy of small town Ireland and perhaps of Ireland as a whole: the desire of some of its brightest people to leave.

The key example in *Poor Beast* is "Danger" Doyle, played by Liam Cunningham. By any normal standards, he is not a big figure; by Wexford standards, he is part of the mythology. Everyone remembers that he was in trouble with the police, and left for England with a woman whose daughter remained behind. Having lost his job in a British tobacco factory for stealing cigarettes, he now works in a car plant. When he returns to Wexford to pick up the daughter, he is in a smart suit and stays at the County Hotel. In other words, he has made it to the big time.

Poor Beast works by juxtaposing those who leave, those who wish to go but do not have the will, and those who stay. It also makes great play of the differences between generations. Steven, the father of the girl, claims never to have packed a bag in his life: Wexford is enough for him. Joe, from the middle generation, says Wexford is "the greatest little town in Ireland", but still hankers after his boyhood days with Danger, when the pair of them would raid the betting shop.

The background to *Poor Beast* is the All Ireland Final, the game being hurling. It is the excitement of the year, partly because Wexford is involved in little else except everyday life. Yet it is in the details of this humdrum existence that Roche is so skilled: there are dramas beneath the surface, like the girl Molly whom Danger has abandoned.

Molly is wonderfully played by Ingrid Craigie. She is not alone. Dervla Kirwan as the daughter sheds real tears. Des McAleer, as Joe, will come into his own in a bigger part in *Belfry*, which starts tomorrow. My only reservation about the trilogy is whether it would work on a larger stage. At the Bush it is close to perfection.

Malcolm Rutherford

Wexford Trilogy, Bush Theatre, London W12, (081) 743 3388

Gounod's soufflé

The French appetite for light opera has left a fascinating legacy from the 19th century. Although the major composers wrote operas as grand as any, it is remarkable how many of them also found the ability to turn their hand, when they fancied, to a musical soufflé.

Gounod's *La Colombe*, being given a rare staging by the Guildhall School of Music, is one of those. It is loosely based on a story from Boccaccio and La Fontaine. Their original tale tells of a pet dove which gets eaten unawares by its lady owner when it is roasted for dinner by her near-starving suitor. The opera, however, dispenses with the moral: Gounod gives the dove a reprieve and serves up a lighter and sweeter ending.

As so often in these little-heard French scores, the music is beautifully crafted. In less than an hour's music (allowing for the dialogue) Gounod packs in a delightful series of musical solos and ensembles, which make up in sparkle what they lack in the way of memorable tunes. In the role of the Countess Sylvie, the soprano Diane Charlesworth showed exactly how to sing this music, all silvery, bubbling, chic appeal – quite delectable.

The Guildhall School had boldly decided to tackle the piece in French. This was a gamble that paid off, for even those who were not fluent in the language managed to sound as if they were. As Maitre Jean, giving a cookery lesson on how to prepare pheasant (or dove) for dinner, Simon Thorpe caught the intonation of a French comic spot-on. A typically awkward French tenor part was also sung with some style by Ivan Sharpe.

This divertissement left time for a companion piece. The choice fell on Ravel's *L'Heure espagnole*, the composer's opéra-bouffe set in a clock shop, which demands second by second precision from all concerned. David Lloyd-Jones led a reliable performance from the pit, although the contribution from that department can never be too razor-sharp in this score. Jennifer Akhurst played a nicely frustrated Concepcion; Nathan Berg was the resonantly-sung Don Inigo Gomez.

The pair of productions, both by Francisco Negrin with designs by Tony Baker, had an arty look, without being distressingly trendy. It is probably hoping for too much to give Gounod's weak scenario wit and point, but the Ravel – its comic mechanism neatly balanced by suppressed emotions below the surface, as here – always makes the time tick away rewardingly.

Richard Fairman

La Colombe and L'Heure espagnole, sponsored by Bacon & Woodrow. Further performances November 16 and 18 (Box Office 071-638 8891)

INTERNATIONAL ARTS GUIDE

BERLIN

Philharmonie James Galway is soloist in tonight's concert with the Württemberg Chamber Orchestra. Wed, Thurs and Fri: Seiji Ozawa conducts Berlin Philharmonic Orchestra in works by Weber, Hindemith and Mendelssohn. Sun: Brahms' German Requiem. Next Tues: Nash Ensemble (2548 8232)
Schauspielhaus Thurs, Fri, Sat: Ralf Weikert conducts Berlin Symphony Orchestra in works by Berlioz, Sibelius and Beethoven, with violin soloist Yong Uck Kim (2090 2156)

OPERA
Staatsoper unter den Linden Peter Schreier, accompanied by Daniel Barenboim, sings Winterreise on Wed. Other performances this week are Hindemith's Neues vom Tage on Thurs, Der Freischütz on Fri, Egon Bischoff's production of Swan Lake on Sat and Parsifal conducted by Barenboim on Sun (2004 762)
Deutsche Oper Tomorrow: Il trovatore. Wed and Sun: Lohengrin. Thurs: Peter Schaufuss' production of La Sylphide. Sat: La forza del destino (3410 249)
Komische Oper Tonight's performance is Entführung. Tomorrow: Rienzi. Wed: Siegfried Matthus' new chamber opera Desdemona und ihre Schwestern. Fri: Le nozze di Figaro. Sat: Bartered Bride (2292 555)

THEATRE
A new production of Ibsen's tragi-comedy The Wild Duck opens at Schlosspark Theater on Sat (793 1515). The Schaubühne has a new production of Jacob Lenz's play Catherina von Siena, based on the legend of a 14th century Italian saint, opening at Probebühne Cuvrystrasse tomorrow (890023). Bremen Shakespeare Company is in residence at the Freie Volksbühne till Dec 6 with a wide repertory of plays by Shakespeare and others (881 3742). Volksbühne am Rosa Luxemburg Platz has King Lear tonight and tomorrow (282 8978)

■ GENEVA

OPERA/CONCERTS
Horst Stein conducts Andreas Homoki's new production of Die Frau ohne Schatten at Grand Théâtre on Wed and Sat, with a cast led by Wolfgang Schoene, Deborah Polaski, Ellen Shade, Thomas Moser and Reinhild Runkel (311 2311). Deszo Ranki plays Mozart with Zurich Chamber Orchestra at Victoria Hall on Sun at 17.00. Next Mon and Wed: Friedemann Layer conducts Orchestre de la Suisse Romande in works by Zimmermann and Beethoven (311 2511)

THEATRE
A production of two short Marivaux plays runs at the Comédie from tomorrow till Sat. Next week: Musical Theatre of Moscow presents The Bedbug, musical play after Mayakovsky (320 5001). Gorki-Tovstonogov Theatre of St Petersburg opens a two-week residency at Théâtre de Carouge tomorrow with an Ostrovsky production (343 4343)

■ NEW YORK

DANCE/OPERA
State Theater New York City Ballet opens its winter season tomorrow with a gala featuring a new pas de deux by Peter Martins along with three works by Balanchine. The rest of the week is devoted to repertory performances. The annual presentation of Balanchine's Nutcracker production opens on Nov 27 and runs till Jan 3 (870 5570)
City Center Houston Ballet is in residence from Wed till Sun. Dec 9-Jan 3: Alvin Ailey American Dance Theater (581 1212)
Metropolitan Opera Christine Weidinger sings the title role in tonight's performance of Semiramide (also Fri). Tomorrow and Sat afternoon: Tosca with Ghena Dimitrova and Lando Bartolini. Wed and Sat evening: L'elisir d'amore with Ruth Ann Swenson and Enzo Dara. Thurs: Marcello Panni conducts first night of Francesca Zambello's new production of Lucia di Lammermoor, with June Anderson, Richard Leech, Juan Pons and Paul Plishka. Further performances on Nov 24, 28, Dec 2, 5, 9, 12, 15, 18, 24 (362 6000)
Brooklyn Academy of Music The Philip Glass/Robert Wilson music theatre piece Einstein on the Beach runs daily from Thurs to next Mon. These are the only American performances on the current world tour (718-636 4100)

CONCERTS
Avery Fisher Hall James DePriest conducts tonight's concert by Juilliard Orchestra, including Walton's Violin Concerto and Bartók's Concerto for Orchestra. Tomorrow: André Previn conducts New York Philharmonic in works by Haydn, Ravel and Beethoven, with piano soloist Emanuel Ax. Wed: Christoph Eschenbach conducts Houston Symphony Orchestra in works by Ives, Prokofiev and Dvořák. Thurs, Fri, Sat: Kurt Sanderling conducts NYPO in all-Rakhmaninov programme, with Peter Roesel soloist in Third Piano Concerto. The following two weeks of Philharmonic concerts are conducted by Kurt Masur (875 5030). Gary Lakes gives a song recital on Sun afternoon in Alice Tully Hall (721 6500)
Carnegie Hall Alicia de Larrocha gives a piano recital tonight. Tomorrow's concert by Philadelphia Orchestra, conducted by Klaus Tennstedt, includes Mahler's Fourth Symphony with soprano soloist Roberta Alexander. Thurs and next Mon: Vladimir Ashkenazy conducts Royal Philharmonic Orchestra, with works by Sibelius and Walton in the first programme, and Bax, Barber and Shostakovich in the second. Fri and Sat: Leonard Slatkin conducts St Louis Symphony Orchestra and Chorus in Maxwell Davies' Worldes Blis, Orff's Carmina Burana and Bolcom's Songs of Innocence and Experience (247 7800)

■ VIENNA

OPERA
Staatsoper Elizabeth Connell sings the title role in tonight's performance of Ariadne auf Naxos. Tomorrow: Tosca with Mara Zampieri and Neil Shicoff. Wed and Sun: Salome. Thurs and next Tues: La fille mal gardée. Fri and next Mon: Katya Kabanova. Sat: Il barbiere di Siviglia (51444 2960)

WIEN MODERN
Vienna's annual contemporary music festival focuses this year on Dallapiccola, Henze, Xenakis and Schwertsik. Most events take place at the Konzerthaus. Tonight and tomorrow: Arditti Quartet plays works by Xenakis, Henze, Boulez and others. Tonight at Musikverein: Michael Boder conducts Austrian Radio Symphony Orchestra in Henze's Tristan, with piano soloist Homero Francesch. Thurs: Horia Andrescu conducts Vienna Symphony Orchestra in a Schwertsik premiere. Fri: Arnold Schoenberg Chorus. Sat: Zoltan Pesko conducts Slovak Philharmonic Orchestra. Sun: Friedrich Cerha conducts works by Ruggles, Ives and Xenakis. The festival runs till Nov 27 (712 46860)

CONCERTS
Tadaaki Otaka brings the BBC Welsh Symphony Orchestra to the Konzerthaus tonight (Hoddinott, Bartók and Elgar, with piano soloist Paul Crossley) and the Musikverein tomorrow (Brahms, Britten and Beethoven, with violin soloist Raphael Oleg). James Levine conducts Vienna Philharmonic Orchestra in works by Brahms and Debussy on Fri and Sat afternoon and Sun morning, with soloist Anne Sofie von Otter. Schubertiade events in the Brahms-Saal include Lieder sung by Hermann Prey tonight and tomorrow, and piano recitals by Oleg Maisenberg on Wed and Andras Schiff on Sun morning. John Shirley-Quirk gives a song recital next Tues. Nov 28, 29: Georges Prêtre conducts Brahms' German Requiem (505 8190)

THEATRE
A new production of Goldoni's The Impresario of Smyrna, directed by Claus Peymann, can be seen at the Burgtheater daily till Nov 26 except tomorrow, Wed and Sun (51444 2218). Theater an der Wien has Elisabeth, a new musical about the child bride of Emperor Franz Joseph, daily except Wed (588 30265)

● Telephone sales of tickets for the Staatsoper, Volksoper and Burgtheater are available worldwide for holders of credit cards by ringing Vienna 5131 513

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2248 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0830-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

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Monday November 16 1992

Watchdogs off the scent

SINCE SIR Kenneth Clucas first put the case for a single watchdog for retail financial services in a report for the Securities and Investments Board earlier this year, the debate on the proposed *Private Investment* Authority (PIA) has sunk into a dismal stalemate.

The banks and building societies have little financial interest in signing up, since they would then risk being saddled with a bill for the shortcomings of Fimbra, the self-regulatory organisation (SRO) chiefly responsible for independent financial intermediaries. Life assurance companies are reluctant to sign up unless the banks and building societies are on board, because they do not want to bear a disproportionate part of the regulatory costs of the system. And Fimbra's members, who are unable themselves to bear the full cost of compensating the victims of the black sheep in their own flock, are a large and disparate bunch whose readiness to vote Fimbra out of existence in favour of the PIA is open to question.

Such a deadlock would test the mettle of a game theorist. It poses a potentially overwhelming challenge for Mr Andrew Large, the head of the Securities and Investments Board, who has been asked by the chancellor to review the workings of the system instituted by the Financial Services Act. If leading practitioners are to be believed, the PIA is limping before take-off. The chief executive of the Prudential recently declared: "It has become apparent beyond reasonable doubt that PIA does not enjoy the support necessary among potential constituents to achieve its successful launch as the sole regulator of private investor business."

In dealing with Fimbra, Mr Large has a fundamental problem with the voluntarist nature of the system. Practitioners are entitled to choose their own SRO. Yet the SIB does not have many carrots with which to induce voluntary compliance with its wishes. Short of offering total immunity from infection by Fimbra, which would make a nonsense of the Clucas proposals, it is hard to see how sufficient banks and building societies could be persuaded to come in. And they can reasonably argue that if there is a public interest in keeping a large number of independent financial intermediaries in business, then the bill should fall on the public purse.

The sticks are more impressive, but not much more. The SIB has the power to derecognise individual SROs. But that is a realistic threat only for Fimbra, and its effectiveness might be hard to gauge. The more draconian sanction is closer government oversight. Yet when the chief executive of the Prudential is already arguing for precisely that, the threat scarcely looks daunting. Nor is the government anxious to add the task of controlling predatory life assurance salesmen to its problems.

All this points to a messy outcome, and there is a risk that the whole purpose of the system will be lost from view. While the practitioners argue about issues of competitiveness and regulatory cost, there is evidence that a disproportionately large number of savers incurs painful losses as the result of its unsolicited encounter with the insurance industry – a sorry comment on the four years of operation of the new system.

To bring insurance companies and salesmen to cleanse their act will probably require more rigorous enforcement and tougher penalties than anything seen so far. Adequate compensation arrangements will continue to be vital. Whether a practitioner-dominated system can deliver on those counts is questionable in the light of the row over the PIA. The incremental approach to reform which Mr Large instinctively favours may well be right for the wholesale markets. But in retail finance tougher medicine is called for.

Serb sanctions

ECONOMIC SANCTIONS have not had a good press lately. In the case of Iraq, the evidence is that many countries, including the US, Britain, France and Germany, did not respect either national guidelines or United Nations resolutions on the subject.

The fact that sanctions are broken, however, does not prove that they never attain their objectives. Few people now doubt that sanctions made an important contribution to the eventual defeat of the former white regime in Rhodesia.

UN sanctions against Serbia have proved no exception to the rule. By requiring all nations to stop trading with Serbia in any commodity, including oil, for which Serbia relies on imports for 75 per cent of its needs, the embargo had the potential of crippling the economy.

As so often before, the sanctions have proved very leaky. The extent of the violations was underlined last week by Mr Cyrus Vance, one of the UN mediators for Yugoslavia. Mr Vance told the Security Council that oil was getting through in ever larger quantities to Serbia and that queues at petrol stations in Belgrade had virtually disappeared. The US, meanwhile, has accused owners or managers of ships in several nations of violating sanctions in the Adriatic.

Yet the new UN sanctions resolution, due to be adopted this week, is not just an empty gesture. It is intended to plug the loopholes in the present regime by giving the international naval force in the Adriatic the right to *stop and search suspect ships*, instead of just monitoring them. Tighter controls will also be established by international "sanctions assistance missions" at key transit and transhipment points along the Danube and at border crossings with Serbia-Montenegro.

It would be naive to believe that these measures will totally cut Serbia's supply lines. But it should make life much more difficult for sanctions-busters in Bulgaria, Romania, Hungary and Greece. With a political solution still remote, the effective application of sanctions remains the most powerful tool in the hands of the international community to bring Serbia to its senses.

China's reformer

ZHU RONGJI, who arrived in London yesterday for a tour of Britain and Scandinavia, has a reputation as a trouble-shooter who handles serious problems sensitively. He will need these skills as, just promoted to the standing committee of China's Politburo, he leads the first significant mission to the west after the beginning of a new and difficult phase in Beijing's foreign relations.

Uncertainties have been created by two events beyond China's control: the election of Governor Bill Clinton, who promises as US president to take a tougher line linking trade privileges to China's human rights performance; and the proposals by Chris Patten, Hong Kong's governor, on broadening democracy ahead of China's resumption of sovereignty over the territory in 1997.

The continued development of market-oriented prosperity in China lies at the heart of both. It is also Zhu's responsibility since, as vice-premier and head of the Economic and Trade Office – a new body which parallels Japan's Ministry of International Trade and Industry – he is the chief executive of Deng Xiaoping's economic reform programme.

The stakes for Zhu are high: previous pretenders to the mantle of 88-year-old Deng have fallen by the wayside. Renewed impetus for reform this year has brought double-digit economic growth and a renewed influx of foreign investment, but has raised fears of inflation and overheating. There is an even greater need to reform state industries, cut down bureaucracy, and break the "iron rice bowl" while softening the blow for possibly millions of redundant workers. These are Zhu's main tasks as the attempt to create a "socialist market economy" – capitalism under authoritarian one-party rule – enters its most challenging stage.

Withdrawal of Most Favoured Nation trade status by the US – congressional pressure for which was resisted by President Bush – would strike at China's exports, making it a less attractive place to invest and undermining the domestic position of reformers such as Zhu. He and his colleagues need to canvass support abroad for the view that growing economic freedom is the best way forward. Western governments should continue to accept that view, fostering trade and investment while insisting on better performance on human rights.

The approach of constructive engagement, to which Britain has subscribed, should encourage China to talk sensibly about the chief issue currently dividing them: Hong Kong. Zhu's visit offers an opportunity – particularly since Mr Patten will also be in London – for quiet mending of the rift caused by Mr Patten's proposals and the virulent reaction to them in Beijing. China has failed to show that Mr Patten's limited suggestions break previous agreements. An unstable Hong Kong would undermine the southern powerhouse of Chinese growth. It is in China's interest to begin discussions to head off such dangers.

Efforts to curb the influx of foreigners seeking asylum in Germany have split the country in two, says **Judy Dempsey**

Cracks behind the unity

Irena K is fed up with foreigners in Germany. "They are letting in too many people from Poland, Russia and Romania. Nobody works hard any more. Something has changed in Germany since unification." As she whiles away the late morning in a cafe in Poll, a comfortable middle-class suburb of Cologne, she starts to complain about the gypsy refugees from eastern Europe. There are more than 150 who have lived for the past four years in temporary housing a mile away. "They are ruining the country," she says.

The irony is that Irena speaks with a heavy Polish accent. She came to Germany only two years ago from Katowice in southern Poland. As an Aussiedler, an ethnic German living outside the federal republic, she has the automatic right to live in Germany.

Her views capture something of the confused debate arising from the social and economic impact of German unification, and the current uncertainty about how to cope with an influx of tens of thousands of foreigners seeking asylum every month.

Unlike in other European Community states, no one can emigrate to Germany, because it has no immigration law. Yet anyone can enter the country because of Germany's liberal asylum law.

Asylum is once again the most controversial issue on the political agenda in Germany. It has deeply divided the country. The opposition Social Democratic party (SPD) today opens an emergency congress to debate the topic, which has revived unwanted memories of Germany's ignominious history and fears of a revival of the extreme right.

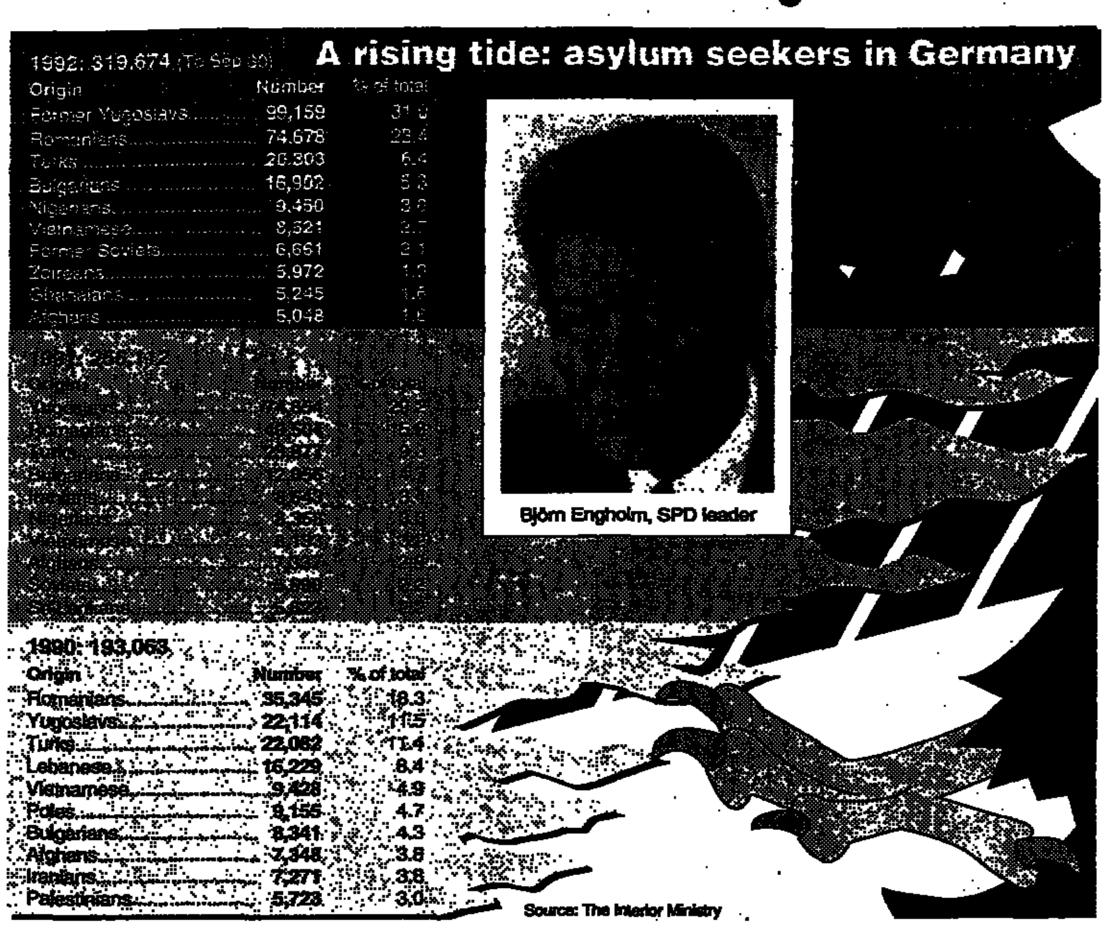
The SPD's national, Länder (provincial) and city leadership, under pressure in the regions from the extreme right-wing, recognises that some controls must be imposed on the influx of foreigners. But the traditional left, and those SPD members not in power in the Länder, wish to preserve the right to asylum at all costs, precisely because of the political persecution by the Nazis. Mr Björn Engholm, the party leader, has put his position on the line by favouring the introduction of curbs aimed at preventing people from abusing the country's liberal asylum law.

The SPD's position is crucial to any amendment to the right to asylum, which is guaranteed under Article 16 of the German constitution. Any change, such as that proposed by the ruling conservative coalition of Christian Democrats (CDU), Christian Social Union (CSU) and Free Democrats (FDP), needs the support of the SPD to have a two-thirds majority in parliament.

Yet many believe that any outcome from the debate about amending Article 16, which states unambiguously that "persons persecuted on political grounds shall enjoy the right of asylum", will be futile unless all political parties recognise the need for an immigration policy.

No matter what amendments are made, these will still deal with the issue of refugees instead of the whole question of allowing people to emigrate to Germany. As it stands, the 6m foreigners living in Germany have few political rights: because there is no immigration policy, access to citizenship is restricted.

"The SPD, like the other political parties, will have to face the fact that Germany needs an immigration law," says Ms Cornelia Schmalz-Jacobsen, an FDP parliamentary deputy and head of the government-backed Department for Problems of Foreigners. "There is no point in amending the constitution if we are not prepared to introduce a policy on immigration," she adds.



1992: 319,674 (To Sep 30)

Origin	Number	% of total
Former Yugoslavs	99,159	31.0
Romanians	74,678	23.4
Turks	20,303	6.4
Bulgarians	16,902	5.3
Nigerians	9,450	3.0
Vietnamese	8,521	2.7
Former Soviets	6,661	2.1
Zaireans	5,972	1.9
Ghanaians	5,245	1.6
Afghans	5,048	1.6

1990: 193,063

Origin	Number	% of total
Romanians	35,345	18.3
Yugoslavs	22,114	11.5
Turks	22,082	11.4
Lebanese	16,229	8.4
Vietnamese	9,428	4.9
Poles	9,155	4.7
Bulgarians	8,341	4.3
Afghans	7,348	3.8
Iranians	7,271	3.8
Palestinians	5,723	3.0

Source: The Interior Ministry

The current asylum debate has arisen for two reasons: the growing numbers of people seeking asylum in Germany, and the rise of the far right.

More than 193,000 people arrived in Germany in 1990 (see chart), all invoking Article 16. The number rose to more than 256,000 in 1991, and is likely to reach 500,000 this year. Within the European Community, more than 60 per cent of all asylum applications last were year lodged in Germany.

The numbers have swollen, not only because of the war in the former Yugoslavia, but also because unification has given Germany a 1,300km open border to the east, straddling Poland and Czechoslovakia. Much of it is impossible to police: in stretches, the Oder-Neisse river is only six inches deep. Those who cross the border can claim asylum and remain in Germany until their cases have been heard. The cumbersome administrative and appeal system means that many cases take up to four years, although the average time has been reduced to about 11 months. The current backlog exceeds 418,000.

During their stay in Germany, asylum seekers are provided with housing and social welfare benefits, which the right believes are being exploited by those abusing the asylum law. Bavaria's right-wing CSU, the junior partner in Chancellor Helmut Kohl's coalition, is campaigning for an end to the appeal process, the scrapping of the asylum right in Article 16, and an immigration law.

The CSU, which is worried that the neo-Nazi Republikaner party is eroding its political base, claims that the refugees are exacerbating the housing shortage. There is a shortfall of between 1.5m and 2m apartments in west Germany's urban areas. However, there are few signs of refugees jumping the housing list at one small refugee camp in the middle of an industrial estate near Cologne. The 200 asylum seekers, who include 150 gypsies from the former Yugoslav republic of Macedonia, live in cramped, one-room, barrack-type housing.

The right-wing also criticises the cost of caring for the asylum seekers. Last year, the German government earmarked DM6.4bn (£2.6bn), of which DM5.4bn was spent on accommodation and social assistance, bringing the annual cost for each asylum seeker to DM15,000. Criticism about the cost of supporting the refugees has sharpened with rising unemployment, curbs on public spending and increased financial aid to eastern Germany.

The reaction of eastern Germans to refugees has also hardened debate. More than 20 per cent of asylum seekers have been assigned to the five new federal Länder in the east. "It has been an awful experience," says Ms Schmalz-Jacobsen, who spends her time monitoring the problems faced by foreigners. "The living conditions for refugees in eastern Germany are appalling. The hatred between the eastern Germans and the foreigners is terrible."

Mr Stephan Eisel, a specialist in asylum issues at the conservative Konrad Adenauer Stiftung think-tank in Bonn, says east Germans are not accustomed to foreigners. "In the former German Democratic Republic, the Cubans, Angolans and the Vietnamese lived in ghettoes. There was no attempt at integration. Foreigners were viewed with suspicion," he says.

He and Ms Schmalz-Jacobsen believe that foreigners have become easy scapegoats because eastern Germans did not go through a period of de-Nazification, and are now facing massive social change caused by the collapse of communism.

But neither blames the easterners alone for the rise in xenophobia, anti-semitism and right-wing extremism. In the first seven months of 1992, the Interior Ministry registered 1,443 criminal acts against foreigners. Most were committed in the rich western states of Baden-Württemberg, Hesse and North Rhine-Westphalia.

"I receive many letters from westerners who praise the eastern Germans' hostile attitude to foreigners. They say they want Article 16 to be scrapped and foreigners to be expelled," says Ms Schmalz-Jacobsen. "In this context, I can understand why the SPD is torn over Article 16.

"Article 16 was born out of our Nazi past. It was enshrined in the constitution to show that Germany was an open country for the persecuted."

The leaderships of the four main political parties are close to a compromise on amending Article 16. The CDU, FDP and SPD want asylum qualified in the constitution by including the 1951 United Nations Geneva Convention on the Status of Refugees. This defines a refugee as any person with a well-founded fear of being persecuted for reasons of race, religion, nationality, membership of a particular social group or political opinion. "Economic refugees" who use Article 16 to enter the country would find it more difficult to claim asylum under the Geneva convention.

Furthermore, all the parties want the procedure for unfounded cases to be speeded up, and the right to asylum protected against abuse. "Criminal organisations in eastern Europe are exploiting our laws," says Ms Herta Däubler-Gmelin, a deputy parliamentary leader of the SPD. "The SPD wants the constitution to define who is a political refugee. That is why including the Geneva convention is important," she adds.

As a means of curbing illegal immigration – the Interior Ministry estimates that more than 150,000 people have illegal status – Germany has signed agreements with Romania and Bulgaria, allowing repatriation. Some 7,000 would-be asylum seekers were repatriated "voluntarily" last year.

As for the Aussiedler, who number about 2m in eastern Europe and the former Soviet Union, they are being discouraged from travelling directly to Germany by first having to apply through the German consulates in their country of origin. As a result, the number of such admissions to Germany decreased from 397,000 in 1990 to 222,000 in 1991.

Despite the proposed amendments, few officials from the main political parties believe they will have any significant impact unless they are followed by an immigration law.

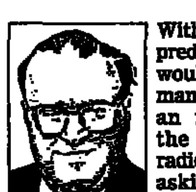
The overall immigration pressure is potentially enormous. There is a backlog of 700,000 Aussiedler applications, and a fear that continuing instability in the Balkans and the former Soviet Union will unleash a wave of new asylum seekers to Germany.

Legal experts believe that all the political parties, including the SPD, will eventually adopt an immigration law, partly to conform with EC standards, and partly to cope with immigration from the east. But Ms Däubler-Gmelin sounds a note of warning. "We should not amend Article 16, let alone introduce an immigration law, if it means pandering to the far right.

"We should do it because we believe we need it, and it is beneficial for our democracy. On that basis the SPD might obtain a consensus."

Samuel Brittan

The investment cult



Within hours of my predicting that this would happen, Norman Lamont floored an interviewer on the BBC's Today radio programme by asking whether he was being accused of stimulating the economy too much or too little, or whether he should have borrowed more or less. My own immediate answer was that the chancellor was stimulating too little on the fiscal side, but taking too many risks with monetary policy and sterling.

I am always relieved to find some City analysts agreeing with me. The prize this time goes to Keith Skeoch of James Capel, who writes that Norman Lamont's "non-membership of the Magic Circle may have to be reconsidered in the light of the Autumn Statement where, with the aid of mirrors, the chancellor presented what amounted to a discretionary tightening of fiscal policy as part of a recovery package. As we suspected it might, the new growth-orientated policy consists of more of the same – cuts in interest rates and a depreciation in sterling. Mr Lamont implicitly admitted as much by cutting rates by 1 percentage point at a time when sterling's index was at an all-time low."

The risks were also admitted by the Treasury in forecasting a stalling of the fall in inflation, at around its present level, despite the fourth year of recession or abnormally low growth and an above-equilibrium unemployment rate.

The hiccup is obviously owing to a minimal allowance for sterling's latest depreciation. The realism of the government's commitment to maintain inflation within the target 1 to 4 per cent band, still more to reduce it eventually to its lower end, depends on this devaluation being the last of many since 1967, and probably on its being partially reversed. *This is just as much the case if the government operates through domestic monetary targets, which in an open, non-continental economy have a large part of their effect via the exchange rate, as if it is operating an overt sterling objective.*

The Bank of England takes the inflation commitment and its forthcoming quarterly inflation reports extremely seriously. A technically competant analysis involves, however, not just past numbers, but a political judgment on how far to believe government statements of future intentions. This will be an extraordinarily embarrassing judgment to make – especially on medium-term issues which the governor has promised to cover – while the Bank remains a member of the official family, but has no direct responsibility for decisions.

'The new policy is more of the same: cuts in interest rates and a depreciation in sterling'

Meanwhile, there is the question of how the chancellor managed to produce an apparent growth package within tight public spending guidelines. Michael Saunders of Salomon Bros estimates the cost of the package at just over £1bn in the current fiscal year and nearly £2bn in 1993-94. The abolition of car tax should not, however, have been included, if one takes seriously the chancellor's commitment to raise petrol tax or vehicle licence duties as an offset next March. Perhaps the ideal is more vehicles piling up in garages to provide orders for the motor industry.

The real package looks as if it has been paid for by the 1½ per cent public sector pay limit, which I favour as a crude substitute for the market pressure restraining pay in private business. But I fear that this has not been enough and that detailed scrutiny will show some painful cuts concealed elsewhere.

The heart of the measures is in the investment stimulants. They embody the conventional wisdom that the economy must be stimulated through investment and *not* consumption. Yet I was always taught that investment is only worthwhile if the *total* costs of production with the new equipment were less than the *direct* costs of producing with the old. As yet no one has shown that it is wrong, or that the community gains from subsidised investment.

The investment cult is a combination of different confused ideas. First, business cycles have traditionally been associated with investment fluctuations. But whatever the proximate cause, in a prolonged slump it is demand that is lacking and a boost to spending in the shops is just as good. Second, investment provides more scope for creative accountancy. The paradigm case is the hire instead of purchase of railway rolling stock to save government borrowing costs. A sensible business would decide on the prevailing balance of financial advantage, and not on crude cash flow. Third, there is an old confusion that because countries with rapid growth rates tend to have high investment ratios, the way to growth is to subsidise investment.

Fourth, spending on, for example, the Jubilee Line is said to be less *import intensive than consumer* expenditure, which is really covert protectionism. We are left with the fifth argument, that industries like construction now have unusually large excess capacity and that it is good business to place contracts with them early. There is something in this; but on its own it would not be enough to justify the investment fetish.

The incredible shrinking industrial base

Tony Jackson assesses whether services can compensate for the decline of manufacturing in Britain

It is a fair rule of thumb that whenever the British start extolling the virtues of manufacturing, their economy is in trouble. It is thus a measure of the depths of the present recession that in recent weeks members of the government, from the prime minister down, have gone out of their way to insist that manufacturing is close to their hearts. As usual, there is corresponding contempt for the notion that the British can earn their living from services: "dressing in smocks", as a chairman of ICI once put it, "and showing tourists round medieval castles".

The British bias towards manufacturing is partly a matter of history. The UK economy was built on it, as the trade and industry secretary, Mr Michael Heseltine, assured British industrialists last week. And as British manufacturing has lost ground in a world context, so too has the British economy.

The experience of the 1980s has added an extra twist. In the last recession, the service industries of London and the south-east emerged relatively unscathed. This time they have taken a hammering. Services, in the popular imagination, now consist of yuppies in red braces and estate agents. They are not real and solid like manufacturing. They cannot be relied on when the going gets rough.

A refinement of this view, repeatedly advanced at last week's conference of the Confederation of British Industry at Harrogate, is that manufacturing has absolute priority because services depend on manufacturing for a living. A moment's reflection suggests this is nonsense. When Tesco decides to build a new superstore or Forte a new hotel, the construction industry is being driven by the demand for services. When the City of London went through its Big Bang in 1986, one immediate result was a huge increase in demand for computing equipment. Manufacturing and services, in short, depend on each other.

They are also becoming increasingly difficult to unscramble. The point is neatly illustrated in a recent publication from the Organisation for Economic Co-operation and Development*. Perhaps the archetypal manufacturing company is General Motors of the US. One of its biggest suppliers is not a steel or components company, but the health insurer Blue Cross-Blue Shield. One of GM's biggest products is financial services, in the form of loans and insurance to dealers and customers.

It is also easy to exaggerate how far services have supplanted manufacturing as a source of British jobs. Granted, there has been a steady fall in the proportion of the workforce employed in manufacturing. But over the last decade the same is true of almost every country in the developed world, including Japan and Germany. Of the 24 industrialised countries included in the OECD, the UK ranks sixth – above the US or France – in the proportion of its workers employed in manufacturing.

Unfortunately, this does not mean that the UK does not have a problem. It is one thing to produce the same amount of manufactured goods with fewer people. It is quite another to produce fewer goods than the population consumes. For at least 40 years, the UK's balance of trade in manufacturing has been in remorseless decline. In the early 1980s the balance slipped into deficit, and has been there ever since. Somehow or other the British appetite for imported goods has to be paid for. Can the export of services do the job?

Judging by the historical record, the answer is definitely no. In 1990, the UK exported £5.2bn more of services than it imported. This sounds impressive, but in fact amounts to just under 1 per cent of national income. Twenty years before, the proportion was almost identical. It is very welcome that British services can hold their own in the world and contribute a consistent surplus. But the surplus seems in real terms to be static, while manufacturing continues to decline.

This raises the obvious question of whether the performance in services can realistically be expected to improve. Judging by international comparisons, the answer once again seems to be no.

Just as the UK was the birthplace of manufacturing, so its manufacturing base is the first to show signs of age

Among the nations making up the OECD, it is a curious and revealing fact that the half-dozen showing the slowest growth over the past 30 years have all had faster growth in services than in manufacturing over the period. The fastest-growing countries have all been the other way round.

The point is illustrated with particular starkness in the case of the UK. Its growth in services – technically, growth in added value in services, adjusted for inflation – was higher than in several other OECD countries, at 3.2 per cent a year over the 30-year period. Its growth in manufacturing, on the other hand, was the lowest in the OECD, at 1.4 per cent a year. It scarcely seems a coincidence that growth in its economy overall – 2.4 per cent a year – was the lowest in the OECD as well.

This phenomenon is a little tricky to explain. But there may be a clue in the fact that the worst-performing countries in those 30 years – the UK, Sweden, Denmark, Germany, the US – were mature economies in the first place, while the best performers – Japan, Turkey, Greece, Spain – were not. In other words, the countries which were poorest at the outset grew the fastest. As the phenomenal economic performance of China in the past decade suggests, growth is a lot easier to achieve when it starts from a low base.

But it is also more readily achieved in manufacturing. The reason is a familiar one: that it is much easier to improve productivity in manufacturing than it is in services. The output of a shop-floor worker can be hugely increased by the introduction of machinery. It is not so easy to do the same with a lawyer or a hairdresser.

The point is once more borne out by OECD statistics. In the period 1979-90, real added value per person employed in manufacturing in the OECD rose by an average 2.9 per cent a year. In services, the figure was just 0.7 per cent.

The conclusion from all this is obvious and faintly depressing. The only solution to the decline in Britain's manufacturing performance lies in the reversal of that decline. But it would be wrong to suppose that Britain is in this respect unique. Just as the UK was to a large extent the birthplace of manufacturing, so its manufacturing base is the first to show signs of age. But many of the same signs are present in the US. They are also starting to appear in Germany. Some would even argue that they are detectable in Japan. The question of whether the UK can reverse its decline therefore has a wider relevance.

Given the forces of history, the chances of such a reversal might seem negligible. But this is to reckon without the globalisation of world industry. Increasingly, manufacturing is becoming divorced from its country of origin. For a Japanese multinational, the relevant point about the UK is that it still possesses an industrial infrastructure and a tradition of industrial employment. Having forgotten how to make cars and consumer electronics, Britain is now being re-educated by others. As a recipe for revival it might seem something of a long shot. But it may be all there is.

**Industrial Policy in OECD Countries: Annual Review 1992.*

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Danger now is volatile pound

From Mr A A Thibaudeau.

Sir, For Exchem, a UK chemicals manufacturer with 500 employees, the old central exchange rate of DM2.95 in the pound might have been a bit on the high side. But at least there was a clear target, to become competitive at around that rate. Today, "freed of the straitjacket of the ERM", companies are pressed even harder to go abroad and export. Unfortunately the pound has not only been devalued, it has also become volatile. And we find it uncomfortable to bet on exchange rates, even between European countries.

Trade abroad needs a long-term commitment and broadly stable prices in our customers' currencies. And medium and small businesses are not often geared to currency juggling. The risk premium on exchange rates and uncertainty over raw material prices have seriously reduced the benefit of the lower pound.

For us the volatility of exchange rates is a matter of great consequence.

Mr A A Thibaudeau,
Exchem Plc,
1-19 New Oxford Street,
London WC1A 1NU

Buccaneering capitalism in a not so free market

From Phillip Oppenheim MP.

Sir, Samuel Brittan's defence of liberal market capitalism ("Too early for requiem", November 9) was as eloquent as it was effective, but, sadly, implicitly conceded the common fallacy that German and Japanese capitalism is more "planned" than the "buccaneering" Anglo-American variety. I hope that I may be allowed to deploy some simple facts to counter this.

According to OECD figures, US state funding for non-military R&D runs at about $20bn a year – a third of all civil research spending – while the Japanese government funds just 2 per cent of its industry's research. A World Bank survey of non-tariff barriers showed that they covered 9 per cent of all goods in Japan – compared with 34 per cent in the US – figures reinforced by David Henderson of the OECD, who stated that during the 1980s the US had the worst record for devising new non-tariff barriers.

Apart from massive subsidies to the coal, steel, car and aerospace industries since the second world war, Britain has imposed import limits on TVs, machine tools, VCRs, pottery, cutlery, fork-lift trucks, footwear, cars and textiles, many of which are still in force. Germany has no import quotas on Japanese cars and is the only major European country not to impose Multi-Fibre Arrangement textile import quotas on developing countries.

The US, incidentally, uses the MFA to restrict clothing imports from 29 countries – one of which is Japan.

Sadly, the free-market image of the US and the rhetoric of its leaders rarely match the facts, while the interventionism and protectionism of Germany and Japan are habitually exaggerated by politicians and industrialists for self-serving reasons. If these policies really were the holy grail of economic success, Brazil and India would be economic superpowers.

Phillip Oppenheim,
House of Commons,
London SW1A 0AA

Packaging unites business and environment

From Mr Kit Sadgrove.

Sir, It is not true that there is an "irreconcilable difference" between industry and environmentalists over packaging. It is also wrong to say that companies "want to sell more packaging" (Environmental Management survey, November 10).

Packaging is, surprisingly, an area which unites industry and environmentalists. Companies want lighter packaging, because it reduces their costs; and they are happy to use the recycled materials. Today, even plastic egg box covers are made from old cola bottles.

Companies know that the consumer is suspicious of unnecessary packaging, and this gives them another incentive to avoid waste. Hence, technology is helping companies to reduce costs and improve the environment. Many problems still exist; but who would have thought that packaging could give business and environmentalists something to agree about?

Kit Sadgrove,
marketing manager,
David Bellamy Associates,
Durham

DTI advice plan vulnerable to weakness of British chambers

From Dr Gisela Davis.

Sir, Your leader was justifiably critical of the Department of Trade and Industry's proposal to establish a nationwide network of 200 "one-stop-shop" advice centres for providing much-needed business support ("One stop advice", November 2). What the DTI proposal singularly fails to appreciate is that the strength of many of the continental European chambers of commerce comes from the mandatory obligation on almost all local businesses to register or become members.

Having recently returned from a visit to Germany I was much impressed by the very extensive services provided and the support offered to its members by the German regional chambers of commerce, be this through training, advice or other public tasks. Much of this is only possible because of compulsory membership and the income this generates, as membership fees are composed of a basic fee of some DM250 and a percentage of the members' turnover. Compulsory membership allows the chambers to be representative of a cross-section of industry, to act in the best interest of all its members and at the same time protects them from becoming dependent on particular financially strong interest groupings.

In contrast, the usefulness of the DTI's proposal must be very doubtful. The UK chambers are already faced with the problem of non-compulsory membership, which makes them vulnerable to pressures from interest groups, financially strong members and the threat of falling membership.

Divergence into numerous interest groupings outside the chambers of commerce, and chamber members representing only a small proportion of all business in a region, can only weaken the benefits that might otherwise be available to local businesses and British business as a whole.

Your leader says that a superficial and poorly funded exercise, strong on publicity, weak on organisation, would do a great deal of harm. It is difficult to see how the DTI's proposal can result in anything else. Officials would be well advised to look more closely at the approach taken elsewhere in Europe.

Gisela Davis,
Field Fisher Waterhouse,
41 Vine Street, London EC3

Feudal system is no safeguard of London's architectural heritage

From Ms Anne F Maxwell.

Sir, Colin Amery ("London's heritage in danger", November 9) criticises the disembowling of English Heritage with respect to its role in London and argues that "the delicate architectural fabric of the capital" needs special treatment, ie a strong, independent, centralised body with the power to direct decisions on all listed building consent applications. I agree with this.

However, I thoroughly disagree with Mr Amery's contention that preservation of London's architectural heritage requires retention of the feudal leasehold system. This is an argument currently being advanced by the London estates, the same estates that in 1967 protected their empires by arguing "redevelopment" – the Cadogan Estate was offering at the time to knock down and redevelop a large part of Chelsea. London should not be relying on a group of disparate estates with differing standards and development agendas for preservation of its architectural heritage.

This preservation argument rests on the fundamental assumption that the people who live in flats and houses in these special parts of London would not be concerned to protect their economic and quality of life interests. That assumption is flawed. People who spend hundreds of thousands of pounds to buy leases in central London where freeholds are not available are highly unlikely to allow their interests to be compromised. The small risk of a maverick property owner with alteration plans unsympathetic to the neighbourhood is virtually eliminated with a central planning authority with some teeth as advocated by Mr Amery.

The author lauds the "remarkably high standard" to which many estate squares and crescents are maintained. In fact, this is often the result of efforts made by the residents. I live on a square of 20 houses. We have a residents' association and all voluntarily contribute an annual assessment. We maintain the garden. This past year, we organised our own exterior painting to ensure that we had the job done efficiently and to the highest standard possible. The estate has responsibility for maintaining the garden railings and structures. Nothing has been done for years.

Mr Amery specifically mentions Thurloe Square. He is presumably not aware that Thurloe Square itself is managed by a volunteer group of residents and maintenance is funded by annual membership subscriptions.

Lastly, Mr Amery suggests that there are no "intelligent alternative management proposals" to the estates. Once again, he is wrong. The proposals provide for sensible management schemes for common areas that the estates may adopt if they choose.

Anne F Maxwell,
6 Alexander Square,
London SW3 2AY

OBSERVER

The power of the bottle

■ Jean-Pierre Soisson, France's agriculture minister, has run into a little local difficulty with his plan to solve the imminent transatlantic trade war.

If Washington carries out its threat to impose punitive duties on white wine from France, then the French should respond by drinking "lots more white wine", says Soisson. However, his prescription for an unusually merry Christmas this year has not gone down well with former health minister, Claude Evin.

Responsible for a law against tobacco and alcohol abuse while he was health minister from 1988 until this year, Evin is "furious" with Soisson's idea. He accuses him of undermining "consciousness of the ravages that alcohol wreaks in family and social life" in a country which has the highest alcohol consumption in the world.

Untroubled, Soisson retorts that he doesn't think much about the "Loi Evin", and that, as president of the Conseil Général of his region, he would not be signing decrees for its application. That region just happens to be Burgundy. Which explains a lot. The fact that more than half of the French wines threatened by US tariffs are white Burgundies explains even more.

Reading tissue

■ 1992's most nauseating gift idea? A collection of 21 books bound to match their subjects. Nothing much wrong with "All quiet on the Western Front" wrapped in German uniform cloth, brass buttons on the spine. Nor the wild boar used for Captain Baden-Powell's tome on Pig Stocking. The baby seal fur used to highlight a book on Antarctica is more questionable.

Vilest of all? Sadly, no prize for guessing what the nervous binder was persuaded by his ghoulish client to apply to the covers of "A Practical Synopsis of Cutaneous Diseases". Readers with $25,000 and a penchant for the macabre should contact Ursus Books.

Danger money

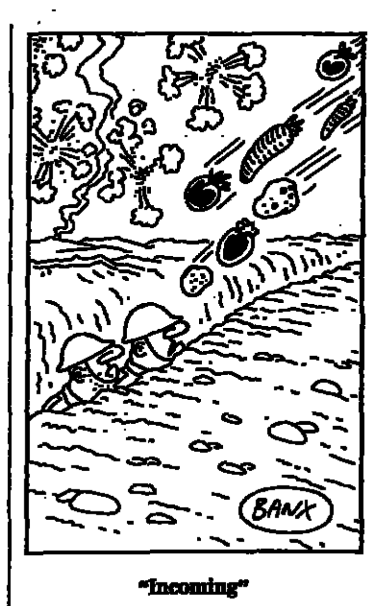
■ When it comes to high risk professions, being a Fleet Street editor must be among the more hazardous. Yesterday's Maxwell-cleansing reshuffle at Mirror Group Newspapers means that ousted editor Richard Stott has the distinction of having been editor twice of both The Daily Mirror and The People – and he is still not 50.

Stott's departure also probably means the end of Sir Peter Parker's efforts to head a management buyout team since Stott had been the the prime mover. The reshuffle is also bad news for Roy Greenslade, who was fired as editor of the Mirror by the late Robert Maxwell. Until now he has been the favourite editor-in-waiting at the Mirror. If Heinz boss Tony O'Reilly ever does manage to get hold of the group, then Greenslade may still be in with a chance.

But it seems as if the banks, who control 54% of MGN and are still showing a hefty loss on their shares, have decided to let the new management knock the group into shape, rather than hand the job to a new owner.

Stepping over

■ Meanwhile, the faces at the top of London's stockbroking firms continue to change with unseemly speed. UBS Phillips & Drew has lost two heads of research in little more than a month, and now Mike Geering, James Capel's research chief, is moving into fund management and Nick Whitney, a veteran of several houses, is resurfacing as managing director of Hoare Govett, leaving chairman



"Incoming"

Peter Meinertzhagen free to concentrate on the group's core corporate finance business.

Of the latest moves, Whitney's could prove to be the more hazardous. Geering, who is joing Mercury Asset Management, is treading a well worn path. Keith Percy and Ken Inglis, two of P & D's best research bosses, have both made successful career moves into fund management, as has Tim Ferguson, a former County NatWest research chieftain.

Fund management may not be as well paid as running and researching equities, but it has its advantages. Not only are there less conflicts of interest, but there are less big egoes to manage and the profits are more reliable.

Eleven on edge

■ The eleven Tory MPs with the smallest majorities have formed a dining club, "the marginals".

Nevertheless, the new boys feel confident enough to have chosen a tie. The background colour is "basil" blue and the stripes are the light and dark blues of Cambridge and Oxford – the home of "dons". Basildon is, of course, the constituency of David Amess, the 40-year-old Conservative MP, whose victory on election night marked the turn of John Major's fortunes.

However, Amess seems to have bent the club rules to get in since his 1480 majority is not among the eleven slimmest. A precautionary move perhaps to ensure some continuity of membership after the next election?

Child's play

■ Word has reached Observer of a customer revolt at Child & Co, London's oldest bank. The upmarket private bank across the road from the Law Courts has started charging members of the founding family – patriach the Earl of Jersey – for the honour of looking after their money.

After enjoying free banking for over 300 years the descendants of Sir Francis Child and the Countess of Jersey have been asked to pay £25 a month if the balance of their account dips below £1500. This seems an awful lot even for members of the landed gentry.

The Royal Bank of Scotland, which owns the bank, refuses to comment. But one scion of the family, who was "given" his bank account at the age of 13, is outraged. He and his father have both closed their accounts and expect several of their relatives to follow their example.

So much for Child's motto that "the more impersonal other banks become the greater this business will grow".

Knocked down

■ Spotted in the Daily Telegraph's classified advertisement columns: Lloyd's tie for sale. Cost over £20,000. Offers in excess of £1.

FINANCIAL TIMES
Monday November 16 1992

UK accused of breaking EC broadcast law

By Andrew Hill in Brussels

THE European Commission says Britain is breaking EC law by imposing too many controls on continental European television programmes broadcast into the UK by satellite.

In a letter to the UK government, Mr Martin Bangemann, the internal market commissioner, has given London two months to respond to the charge that Britain's 1990 Broadcasting Act could hinder free circulation of television programmes in the EC.

The letter, sent on November 3, is the first of three stages which could lead to the UK being taken to the European Court of Justice for not applying properly the EC's "television without frontiers" directive. However, Commission officials said Brussels was more likely to take a softly-softly approach to ensure compliance.

Writing on behalf of the Commission, Mr Bangemann also objects to the BBC's April 1981 Licence and Agreement, which he says imposes a discriminatory "national quota" by insisting on "proper proportions of ... programmes of British origin and British performance". The EC directive calls for a majority of broadcasting time to be devoted to "European works".

Similar letters have been sent to all 12 EC member states, some of which have not even tried to implement the directive. The Commission has accused France of discriminating against foreign broadcasters and alleged that Italy has broken the rules on television advertising.

The directive – a key part of the EC's audiovisual policy – came into force in October 1991 two years after adoption by member states. It sets minimum standards to regulate advertising and protect children from broadcast pornography, violence and racism.

Member states can impose stricter standards on their own broadcasters but cannot hamper cross-border TV services provided by other countries' broadcasters if they meet the minimum EC rules.

The Commission's main objection to the UK's Broadcasting Act is that it is too strict on foreign satellite and cable broadcasters transmitting into the UK, and too relaxed about broadcasts from the UK into other member states.

Brussels believes the act could force foreign satellite and cable broadcasters to get a licence from the Independent Television Commission in the UK, even if they have already been authorised by another member state. To get a licence, broadcasters must meet additional standards. This is an illegal "second control", according to the Commission.

It also says that broadcasters transmitting to member states outside the UK would not have to comply with British law and would escape any EC regulation.

British officials said this weekend that the directive had been properly implemented. The Broadcasting Act specifically exempts satellite services from the more stringent quality requirements applied to domestic franchise-holders. It does, however, impose duties of political and news impartiality. Critics of the EC measure said at the weekend that the directive had created legal confusion, particularly about the definition of national jurisdiction.

Martin Bangemann: said Britain's 1990 Broadcasting Act could hinder free circulation of television programmes in the EC

British political storm grows over arms for Iraq affair

By Alison Smith and Ralph Atkins in London

SENIOR UK government ministers accused the opposition Labour party of "muck-raking" in its attempts to put Mr John Major, the prime minister, in the dock over the sale of defence related material to Iraq, as the political storm about the Matrix Churchill prosecution entered its second week.

Labour warned that pressure on the government would increase rather than diminish. Mr Robin Cook, opposition trade spokesman, said he would produce today further "damning evidence" linking the prime minister with the affair.

In a move that underlines how seriously the government is taking the issue, Mr Major on Saturday issued a vigorous defence of his role in the Matrix Churchill affair, saying that Mr Cook should confine his comments "to fact and not innuendo".

Mr Major said that while he was foreign secretary briefly in 1989 he had not been told of the row between junior ministers about exports to Iraq, nor had he been briefed to raise the matter with Mr Tariq Aziz, the Iraqi foreign minister, whom he met in September 1989.

Speaking on BBC radio, Mr Tony Newton, the leader of the House of Commons, said there seemed to be a concerted effort by the opposition to tarnish Mr Major, as in the case of the collapse of the Bank of Credit and Commerce International. He noted that Mr Major had been cleared in the UK's official report into the collapse.

Similarly, in a television interview, Mr John MacGregor, the transport secretary, expressed confidence that the government would be vindicated in the independent judicial inquiry announced last Tuesday, and accused the opposition parties of "an attempt to muck-rake in the hope that the initial allegations will stick in the public mind".

While Labour concentrates on Mr Major's role as foreign secretary, some of the most recent revalations highlight the fact that the government was clearing export licences for the last batch of Matrix Churchill machine tools the day before the Iraqi invasion of Kuwait in 1990.

Denying any government attempt at a "cover up", ministers emphasised that the inquiry into the affair would be wide enough to enable the investigation of all the issues raised, including whether four ministers had sought to prejudice the trial by signing public interest immunity certificates on hundreds of documents. The terms of reference for the inquiry, to be headed by Lord Justice Scott, are expected to be announced this week.

Among Conservative MPs, the main concern appears to be the way that Customs and Excise were able to proceed independently with the Matrix Churchill prosecutions despite the knowledge within government that the executives on trial had been working for the security services, rather than the details of the sale of machine tools to Iraq.

Mr Paddy Ashdown, the leader of the Liberal Democrat party, yesterday called for an emergency House of Commons debate on the arms-for-Iraq affair.

Major plans plea to industry

By Alison Smith and Peter Norman in London

MR JOHN MAJOR, the UK prime minister, will tonight make a direct appeal to British industry and business to seize the opportunities on offer, as the government steps up its efforts to create economic confidence.

In a break with tradition, Mr Major will use his speech at the annual Lord Mayor's banquet in London to focus on the economy rather than foreign affairs. The move is part of a concerted drive by senior ministers to maintain the momentum of plans to pull the economy out of recession, announced in the government's autumn economic statement last Thursday.

Mr Major will tell his audience that following the statement from Mr Norman Lamont, the chancellor of the exchequer, measures are in place to enhance confidence and lead to economic recovery. His message is that all that is needed now is for the private sector to take advantage of the current circumstances and openings. Mr Lamont yesterday urged business to make the most of the opportunities available, but refused to rule out the prospect of tax increases in his next Budget.

Speaking on BBC television's On The Record programme, he emphasised that a 3 percentage point cut in interest rates and the large devaluation of sterling since Britain left the European exchange rate mechanism in September amounted to a "very considerable relaxation" of policy that would give a "very important stimulus" to the economy.

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The UK base rate is at 7 per cent, and sterling stands at DM2.428 compared to DM2.812 on September 15.

Mr Lamont conceded that unemployment, currently at 2.87m, would continue to rise "for some time", but added that the measures he announced last week to help specific sectors of the economy would assist the employment situation. He would "neither rule in nor rule out" tax increases in his next Budget in March, and said the high level of government borrowing was a "worrying feature" of the present economic situation.

This was why the government had agreed a very tight spending round in the autumn statement, he said. A judgment on whether or not to raise taxes would be made in March or at the end of next year, when the first unified budget covering government spending and revenue raising will be delivered.

The scale of the task ahead of the government was underlined by a Harris poll for Granada's World in Action television programme, which found that 84 per cent of those questioned believed Britain was worse off financially than a year ago, and 52 per cent believed it would be worse off still in a year's time.

The same poll was the second in two days to show support for Mr Major and for the Tories has slumped dramatically.

Zero growth forecast

Continued from Page 1

as Mr Theo Waigel, the finance minister, has urged, his own state of Bavaria is planning a 5.9 per cent rise, Hesse 5.8 per cent and Baden-Württemberg 5.6 per cent.

Because of the economic downturn, overall public sector tax revenues will drop by a net DM10bn ($6.2bn) according to the finance ministry. The federal states alone will face a cut of DM3.8bn.

Mr Waigel has imposed a ceiling on spending growth of 2.5 per cent on his own central budget, although he has proposed that net borrowing increase DM40.5bn this year to DM44bn next year, to make up for the loss of tax revenues. However, the Länder argue that with 40 per cent of their costs going on personnel, they cannot curb spending to the same extent.

For its part, the independent Bundesbank has made it clear that it will maintain a tight monetary policy until it is satisfied that public sector spending is under control, and wage settlements are moderated. The economic institutes criticised the central bank for setting its monetary targets too tightly to take account of the inevitable inflation in eastern Germany – much of it in administered price rises for items such as rents.

Italy's banks

Continued from Page 1

accusations of insider trading.

Where necessary the government would guarantee control through a "golden share". Those interests easiest to sell off would be first, with longer periods for companies requiring restructuring. The INA sale could begin within six months.

The plan, embarrassingly leaked in part 10 days ago, has been the subject of fierce debate within the cabinet. Mr Giuseppe Guarino, the industry minister, argued for the government to create one or two "super-holdings" to retain a strong state presence. But he was ultimately isolated and may resign.

The old guard in the ruling Christian Democrat and Socialist parties also fought hard to ensure that they retained a degree of political influence over the state sector. This battle is likely to continue in parliament.

THE LEX COLUMN

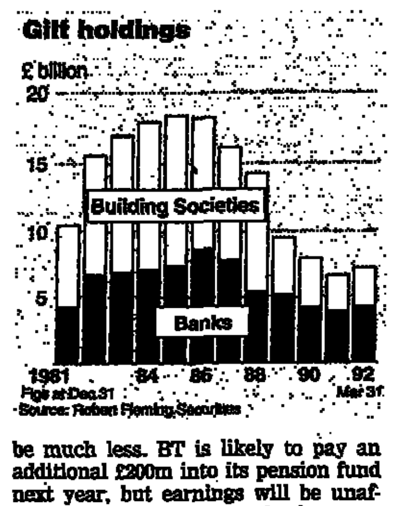
Tide against agents

Securing a decent distribution network is crucial to the success of any insurer. That is why last week's fine by the regulatory organisation Lautro on Guardian Royal Exchange will not be lost on the rest of the industry. At issue is the future of tied agents, or appointed representatives, to give them their polite title – those insurance salesmen who trade under their own name but who exclusively offer the products of one company.

GRE's record fine is a reminder that while independent advisers and direct sales forces have not escaped the wrath of the regulators, tied agents have presented the biggest headaches in the wake of the 1986 Financial Services Act. Life insurers initially fell over each other to sign them up, as polarisation forced intermediaries to choose between genuine independence and attachment to a single supplier.

Golden hellos, subsidised development loans and commission advances were features of a typical introductory package. More recently, however, disillusion has set in. According to Lautro, 10 per cent of tied agents on its register were removed in the 12 months to June as companies took a more hard-headed look at the costs associated with these relationships.

Low quality business and the complexities of supervision have been among the life companies' complaints. So are embarrassing knuckle wraps from the regulator for inadequate monitoring, of which GRE's is only one example. To be fair to the agents, Lautro is flexing its muscles and some of the fall-out is recession-related. The trend towards direct sales forces, though, shows no sign of slowing.



Pension funds

BT will not be alone in making additional payments to its pension fund next year. Low dividend growth from investments and an ageing population have left an increasing number of funds in need of a top-up. On a rough calculation, around 10m people pay into pension schemes from an average wage of £12,000. Employers normally contribute about 10 per cent, suggesting a total bill of £12bn if no holidays are taken. Quoted companies account for around half of this, or £6bn in a normal year. Since something like 50 per cent of all pension schemes are receiving no contributions from employers, companies will have to find an extra £3bn a year once the holiday is over.

The impact on reported profits will be much less. BT is likely to pay an additional £200m into its pension fund next year, but earnings will be unaffected. Accounting standards mean that, in most cases, changes in pension contributions are smoothed over the remaining working life of employees, an average 16 years in BT's case.

If the sums are anything like correct, though, UK companies will have to find additional cash equivalent to 10 per cent of total dividend payments. For some companies at least, this will be another drag on dividend growth. The spread of damage will become clearer next year. Pension funds revalued this year benefited from strong dividend growth in 1989-90. Funds taking a three-yearly revaluation in March 1993 will not be so lucky. It is one more reason to take a close look at cash flow statements.

Southern Electric

Southern Electric's decision to postpone its results until mid-December is good for transparency. By then the market should have clearer idea of the regulator's thinking on the vexed issue of electricity supply contracts. With an interest in three gas-fired generation projects, Southern is arguably the most exposed of all the regional companies. One danger is that Professor Littlechild may decide to put gas-fired power to the test of the market by denying Southern the right to pass on higher costs to customers.

The company would then have to swallow the difference between the electricity pool price and the cost of gas-fired power. The cost of gas-fired power is, of course, at the heart of the argument. Yet if independent estimates are anything to go by, shareholders have not much reason to flinch. Southern's Barking power project is reckoned to produce electricity at around 2.8p per kilowatt hour. With the pool price currently at 2.5p, covering the difference would have only a minor impact. The damage would get worse if the pool price declined. But even on worst-case sums Southern's profit would be cut by little more than 15 per cent. Dividend growth would be secure, although cover might fall from around 3 times to 2.5 times.

Little wonder that the shares have enjoyed strong support despite the uncertainty. Southern will, however, have won no friends among cash-hungry fund managers by pushing its dividend payment into the New Year. That alone may explain the 2 per cent fall in the shares last week on the day the results were postponed.

PSBR funding

The gilt market should not be too disappointed at the chancellor's failure in his Autumn Statement to relax the full funding rules. It would not have been enough simply to declare that bank and building society purchases of gilts would count towards PSBR funding. To make much difference, these institutions would also have to be large scale buyers of government paper. There is not much evidence that the advent of a positive yield curve has given them much incentive in this respect – in contrast to the behaviour of banks in the US.

Part of the reason is institutional. Banks and building societies traditionally look to gilt market investment more for liquidity management than profit. There may now be some temptation to step up gilt purchases, especially given stagnating loan demand, but the margins for banks are skimpy. Indeed, three month sterling has been higher than the redemption yield on 5 year gilts for much of the period since Black Wednesday. To earn a decent margin banks would have to move out along the maturity spectrum – to a point where the risk of capital loss was now arguably greater than it was before the devaluation.

Net bank and building society purchases of gilts were only £875m in 1991-92 and £980m in the first half of the current year. Allowing such purchases to count as funding would not make a large dent in the PSBR. Nor, unless the yield curve grows much steeper, can UK banks expect the kind of windfall profits from government securities which have allowed US banks to rebuild their capital after the ravages of the recession.

World Weather

		°C	°F
Ajaccio	C	18	64
Algiers	S	22	72
Amsterdam	R	5	41
Athens	S	17	63
Bahrain	F	27	81
Bangkok	C	30	86
Barcelona	F	16	61
Beijing	S	6	43
Beirut	F	24	75
Belfast	C	6	43
Belgrade	F	11	52
Berlin	S	3	37
Biarritz	R	11	52
Bombay	S	30	86
Bordeaux	R	12	54

		°C	°F
Boulogne	R	11	52
Brussels	C	9	48
Budapest	F	7	45
Buenos Aires	R	21	70
Cairo	S	26	79
Cape Town	S	21	70
Caracas	F	29	84
Casablanca †	C	20	68
Chicago †	C	-2	28
Cologne	R	4	39
Copenhagen	C	2	36
Corfu	S	16	61
Dallas †	S	6	43
Dublin	C	8	46
Dubrovnik		-	-
Edinburgh	C	6	43
Faro	F	17	63
Florence	R	8	46

		°C	°F
Frankfurt	R	4	39
Geneva	R	10	50
Gibraltar	F	19	66
Glasgow	F	6	43
Helsinki	C	-1	30
Hong Kong	F	22	72
Innsbruck	F	6	43
Inverness	S	6	43
Islamabad	F	24	75
Istanbul	S	10	50
Jakarta		-	-
Johannesburg	F	24	75
Lisbon	S	16	61
London	R	9	48
Los Angeles †	Fg	12	54
Luxembourg	R	5	41
Madeira	F	19	66
Madrid	R	10	50

		°C	°F
Majorca	S	21	70
Malaga	F	21	70
Malta	S	20	68
Manila	R	31	88
Melbourne	S	21	70
Mexico City	C	21	70
Miami †	S	17	63
Milan	C	7	45
Montreal †	H	-1	30
Moscow	C	2	36
Munich	R	3	37
Nairobi	F	22	72
Naples	F	15	59
Nassau	R	29	84
New Delhi	S	27	81
New York †	S	1	34
Nice	Dr	10	50
Nicosia	F	21	70

		°C	°F
Oporto	C	14	57
Oslo	F	1	34
Paris	F	11	52
Prague	C	4	39
Reykjavik	R	4	39
Rhodes	S	17	63
Rio de Janeiro	F	34	93
Rome	F	16	61
Salzburg	F	5	41
S'Francisco †	S	8	46
Seoul	F	9	48
Singapore	F	31	88
Stockholm	Sl	1	34
Strasbourg	R	5	41
Sydney	F	20	68
Taipei	F	30	86
Tangier	F	19	66
Tel Aviv	S	24	75

		°C	°F
Tenerife	S	22	72
Tokyo	C	17	63
Toronto †	Sn	-3	27
Tunis	S	23	73
Valencia	F	20	68
Venice	F	8	46
Vienna	C	6	43
Warsaw	C	3	37
Washington †	C	3	37
Zurich	F	6	43

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

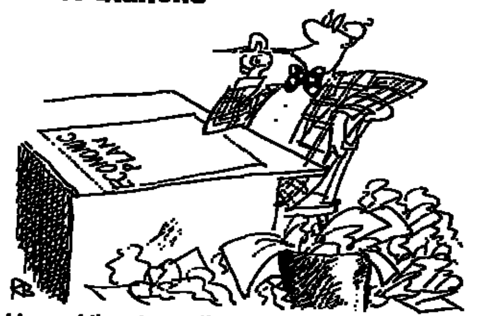
COMPANIES & MARKETS

INSIDE

Toyota may increase output in Nafta

Toyota is considering increasing production in the North American Free Trade Area, according to Mr Osamu Kimura, president of New United Motor Manufacturing (Nummi), a joint venture between the Japanese carmaker and General Motors of the US. Page 19

Carte blanche



Many of the plans offering US progress are just headings on sheets of paper. At a meeting of the MIT World Economy Laboratory last week, three speakers addressed flaws in US education and training. They trotted out the usual gloomy statistics, but were clearly only groping toward solutions. Page 34

Nearing a deal for ITN

A deal is close on the £30m ($45.3m) restructuring of Independent Television News, the news organisation owned by the ITV companies. The consortium led by Mr Michael Green's Carlton Communications trying to take over ITN will today put forward an improved package to representatives of ITN shareholders. Page 18

Bonds rally after election

The long end of the government bond market, which reacted badly in September and October to the prospects of a Democratic presidential victory, rallied strongly last week in spite of Governor Clinton's impending occupancy of the White House. Page 22

Jitters in gilts market

Last week's Autumn Statement has caused jitters in the gilts market. It seems likely that over the next few years there will be a large rise in government borrowing in an attempt to lift the UK economy out of recession. Page 22

Big bad bank

Mr Barry Swart, who is overseeing the First National Bank of South Africa's takeover of the UK merchant bank Ansbacher, said: "We are being targeted as the big bad guys back home." Page 18

Market Statistics

Companies in this issue

GM plans mutual aid scheme with suppliers

By Martin Dickson in New York

GENERAL Motors, the US carmaker undergoing a radical restructuring, is trying to entice some of its parts manufacturers into an unusual form of co-operation, which would involve the suppliers setting up operations inside GM plants and using GM labour.

The scheme, which GM calls "strategic insourcing", would help the company's efforts to slash costs in its loss-making North American operations.

It is being put forward by Mr J. Ignacio Lopez de Arriortua, the Spaniard who was appointed earlier this year as GM's head of worldwide purchasing. Mr Lopez has stirred up controversy in the US motor industry with his demands that many GM suppliers cut their prices. However, he offers long-term supply contracts to those that meet the quality specifications.

The insourcing scheme covers certain high quality suppliers which GM is prepared to offer additional business. Mr Lopez has proposed that these companies be given factory space free of charge in under-used GM plants, rather than expanding their own facilities.

In return, the supplier would agree to employ GM workers currently in the company's jobs bank.

The bank, which is part of GM's three-year labour agreement with the United Auto Workers union, guarantees UAW members who are laid off full pay indefinitely.

The workers would remain GM employees but would be paid by the suppliers at the prevailing GM union wage rates – which in general are higher than those of non-unionised supplier companies.

The scheme would not mean a reprieve for any of the 21 plants GM is planning to shut over the next few years.

GM would benefit by removing workers from the job bank and relieving pressure on a fast-diminishing $3bn-plus fund which was established in 1989 to pay for the scheme. The fund is meant to run until next autumn, when GM and the UAW will negotiate a new, three-year contract.

The UAW's attitude to insourcing remains unclear, but GM believes it can win the union's support. UAW members in the jobs bank, who have to turn up for work even if there is nothing for them to do, might welcome the chance to be more productive.

A GM spokeswoman said Mr Lopez and Mr Stephen Yokich, the chief UAW representative at the company, had discussed "innovative approaches to utilising resources".

One of GM's most important initiatives to reduce its blue-collar labour force is a jobs buy-out, or early retirement programme, which it has been negotiating for weeks with the UAW. However, Mr Yokich said on Friday that a deal had yet to be signed.

Michiyo Nakamoto on the fight for a lucrative share of the video games market

Global games war rages on the small screen

Mario, the moustachioed plumber of Nintendo video games fame, weaves his way under shooting fireballs to escape the clutches of his formidable opponent, Sonic the Hedgehog. Will the fearless Mario outwit the pursuer let loose by Nintendo's main rival Sega? Or will there be a showdown culminating in the destruction of one or the other or both?

The battle between Mario and Sonic is not available on any video game. It is being fought on shop shelves between the two companies which dominate the market – Nintendo, the Goliath of video games, and Sega, its main competitor.

The games war promises to be particularly nasty this Christmas season as Sega, a relative latecomer, blasts ahead in its effort to break Nintendo's dominance over game addicts.

At stake is the $14bn video games market, one of the few sectors that has seen double-digit growth amid the economic gloom in industrialised countries. Turnover in the UK is expected to nearly double from £550m ($830.5m) this year to £1bn in 1993. "For a whole generation of kids video games have superseded pop and rock music as a form of entertainment," says Mr Chris Anderson, managing director of Future Publishing, which publishes specialist magazines on video games.

Already 40 per cent of homes in Japan and 30 per cent in the US have some kind of games console, according to Mr Philip Ley, marketing director of Sega Europe. But Europe has been slower to catch the video games fever. At the beginning of the year France had the highest household penetration in Europe of 12 per cent, says Mr Stuart Dinsey, editor of Computer Trade Weekly.

However, Nintendo and Sega are planning to take the European market by storm.

For the Christmas selling season both are launching massive advertising campaigns in a no-holds-barred bid to claim what market share they can.

In addition to sponsoring the European Football Championships on British television, Sega has launched an $11m campaign coincide with its latest product launch in the US.

Not to be outdone, Nintendo, which has several tie-ups with fast-food and other companies, is spending £15m in the UK in the last three months of the year.

Market share is crucial in the video games market as an established base of hardware owners drives software sales. And software is where the profits will increasingly come from. Every hardware unit sold generates an average six software sales costing £30 each.

Although Nintendo's pre-eminence in the global video games market is not yet in serious trouble, the contest is increasingly close. Nintendo is still well ahead of Sega in worldwide sales of its handheld machines, Game Boy, and in static consoles that connect to the TV.

However, by bringing state-of-the-art technology to the market ahead of its rival, Sega has managed, spite of its later entry, to pose a formidable challenge to its competitor. "The way Sega has come back against Nintendo is the biggest-ever corporate fightback in history," says Mr Greg Ingham, publisher of Future Publishing.

Sega trumped Nintendo when it launched the Mega Drive (known as Genesis in the US), its games console which uses 16-bit technology and can therefore play faster games than the previous-generation 8-bit technology.

The Mega Drive brought Sega neck and neck with Nintendo in the US and Nintendo's worldwide market share has slipped from more than 80 per cent a few years ago to about 70 per cent today.

But Nintendo is fighting back with its own 16-bit Super Nintendo Entertainment System, and is expected to claw back market share from Sega. "The general feeling is that Nintendo will grind [Sega's share] down by Christmas," Mr Dinsey says.

Europe, where Nintendo has slipped behind Sega, is witnessing one of the fiercest offensives.

Nintendo is catching up with Sega's installed base of 600,000 Mega Drives in the UK, (expected to rise to 965,000 by year-end) with a forecast 650,000 Super Nintendos sold by Christmas.

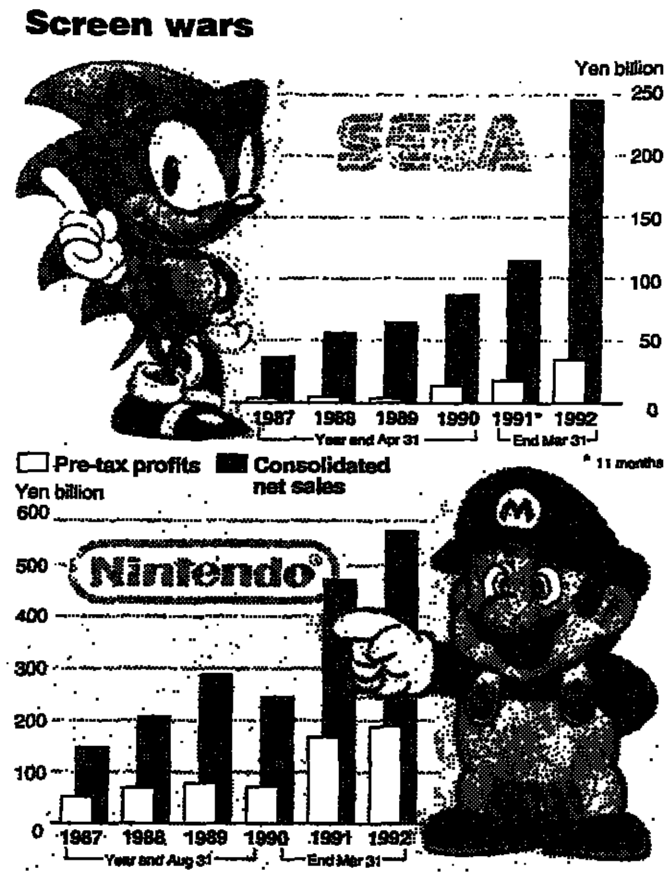
Meanwhile, Sega has taken the battle into yet another state-of-the-art technology by announcing it will launch a CD-Rom attachment for the Mega Drive using compact discs to store games. CD-Rom, which will bring a leap in storage capacity, and improved speed and quality in the games, is seen as the format of the future.

Nintendo, which is not launching a games system using CD-Rom until next summer, is once again finding itself a step behind Sega.

Software support will be a factor in the outcome of the battle between the two, and the ability to develop hardware technologies fast enough to drive software innovations.

Nintendo has greater software support but Sega has been ahead in bringing hardware developments to the market. "The contest is too close to call," is the verdict of Mr Anderson.

Screen wars



How the games warriors line up

Nintendo	Sega
Nintendo Entertainment System: 8-bit games console; more than 100 games titles sold more than 50m units worldwide	**Master System II:** 8-bit games console; 130 game titles
Super Nintendo Entertainment System: 16-bit games console features 3-D graphics and digital stereo sound; 30 game titles	**Mega Drive:** 16-bit games console; 130 game titles
Game Boy: handheld portable game with more than 80 game titles; comes with earphones; GameLink cable to connect other Game Boys for joint play	**Game Gear:** handheld portable game; full-colour LCD screen adaptable to become a portable TV; more than 30 games

Barclays responds to concern on top job

By Robert Peston, Banking Editor

MR ANDREW Buxton, chief executive of Barclays Bank, has acknowledged for the first time that shareholders in Britain's biggest bank are concerned about his additional appointment as chairman, creating a dual role which, he said yesterday, would be "kept under review". In his first public statement since the concern surfaced, Mr Buxton said he intended to become chairman as planned on January 1, when Sir John Quinton retires.

However, he said the board would then assess whether the combination of positions was working to the bank's advantage. "You have to pay attention to what shareholders think. I am not going to oppose the feelings of shareholders," he said.

Separately, it emerged that Barclays is likely to make a provision of around £100m ($151m) in its results for the second half of 1992 to cover the risk of losses on a £350m loan to Imry, the privately owned property group.

Mr Buxton said he was not closely involved in the decisions to lend to Imry.

Barclays US operations are being reorganised to concentrate on investment banking. All North American operations, including lending to big companies, are likely to trade under the name of BZW. A decision to stop using the Barclays name in the US was likely to be made in the next two months, a senior Barclays executive said.

Barclays will also reduce its involvement in lending to big US companies. It will only lend if the borrower buys BZW's investment banking services.

Learning from September's currency crisis

Economics Notebook

By Peter Norman

Mr Norman Lamont's Autumn Statement did nothing to dispel the growing impression that it will be a long time indeed before Britain rejoins the European exchange rate mechanism. But the chancellor and his advisers would be well advised to keep an eye on the ERM in the months ahead. For while there is now less UK enthusiasm for detecting ERM "fault lines" and pressing for the system's fundamental reform, other members have started to draw lessons from September's crisis. If and when the UK returns, the ERM could be rather different to the system which Britain left on Black Wednesday.

At the very least, realignment procedures will have to be overhauled to avoid any repetition of the events of September 12 and 13. That weekend Germany sought a broad realignment of currencies but the end result was a devaluation of the Italian lira only.

Recent contacts between the Commons Treasury and Civil Service select committee and the Bundesbank have produced a plausible explanation as to how Mr Lamont and the Treasury could insist that Britain's EC partners did not seek a devaluation of sterling that weekend while the Bundesbank and German finance ministry thought that they had asked for this.

It seems that the request was never passed on to London. Why not is a question that should be put to Mr Jean-Claude Trichet, chairman of the EC monetary committee and director-general of the French Treasury. It was his job on the Saturday to sound out the EC member states about a realignment after Bonn had initiated negotiations for such a move at the request of the Bundesbank.

The reason for the apparent communications breakdown can only be guessed at. It may be that Mr Trichet did not understand Bonn's intention. Perhaps he had been convinced by the British government's earlier protestations that sterling would not be devalued. However, European monetary officials have also pointed out that the French franc would have been immediately in the firing line if sterling as well as the lira devalued that weekend. With the September 20 Maastricht referendum still a week away, it would have been difficult to fend off speculative attacks against the franc.

The speculation against the ERM in September was unprecedented. Bundesbank intervention in support of the lira, sterling and French franc reached DM92bn ($57.5bn). In spite of the promises of a new openness in UK economic policy, we may never know the true scale of the Bank of England's efforts to prop up the pound. But they were huge.

Foreign exchange dealers throughout the world found that the UK central bank was a ready buyer of sterling in the days of crisis leading to Black Wednesday.

Indeed, as the crisis unfolded, banks in Germany were seen to be channelling their sales of sterling through London to the Bank rather than to the Bundesbank in Frankfurt.

The flattering explanation for this phenomenon is that London is the world's premier foreign exchange centre and more efficient than Frankfurt. Another reason might be that the Bundesbank makes life a little bit harder for the speculator than does the Bank of England.

The Bundesbank insists that banks selling foreign currency to it must have collateral in the form of securities on deposit with one Germany's state central banks. These securities are the "Lombard" which German banks can also use as collateral for obtaining emergency liquidity from the Bundesbank. If a bank sells sterling to the Bundesbank, the transaction is counted against the Lombard to cover the settlement risk that arises in the two days between the Bundesbank handing over the D-Marks and accepting the foreign currency from the bank with which it does the deal.

It is unclear in practice how much of a deterrent these rules are to the determined speculator. The Bank of England thinks that they do not make much difference. But the authorities in Frankfurt feel that it gave them an advantage in slowing the process of speculation compared with the Bank of England, which has no such system.

Germany, like the UK, professes a firm belief in the freedom of financial markets and is a firm opponent of capital controls. But the temptation to throw some sand in the works of speculation was strong, not least because September crisis cost the Bundesbank dear. Some estimates put its potential losses at between DM1bn and DM2bn: an embarrassingly large sum when Mr Theo Waigel, German finance minister, is expending political capital trying to reduce public spending and Germany's huge budget deficit.

The losses have arisen because, under the rules of the European Monetary System, the Ecu is the denominator for operations in the EMS intervention and credit mechanisms and a means of settlement between the monetary authorities of the EC.

During September's crisis, other central banks borrowed from the Bundesbank to support their currencies. To the extent that these debts are not denominated in D-Marks, they will be repaid in Ecu which have been devalued substantially by the large downward movements of the floating pound and lira since September 16.

These losses – and Germany's dominance of the EMS since the crisis – will reinforce the determination of Frankfurt and Bonn to toughen up the rules by which the EMS operates.

It is likely that Germany's arguments in support of more timely and less disruptive realignments will be more influential. Countries with fundamentally weak economies will be less able in future to treat the EMS as a de facto monetary union.

On the other hand, nations in the "inner core" of the EMS, whose aspirations and economic performance match and in some cases better those of Germany, need expect no discouragement from Bonn or Frankfurt if they seek to create a monetary union of limited size later in this decade.

Investors optimistic about US growth

By Richard Gourlay in London

THREE quarters of Britain's leading institutional investors are more optimistic about the prospects for US growth in the next 12 months following Mr Bill Clinton's victory in the presidential election, according to a Gallup survey for stockbrokers Smith New Court.

For the first time in a year the investors have declared an intention to increase rather than decrease their holdings of US equities.

The fund managers continue to be more interested in increasing holdings of UK equities than UK gilts. In three months time they anticipate the FTSE-100 index will stand at 2745 – it closed at 2697.5 on Friday – and in a year they anticipate 2973.

The survey suggests there is less investor concern about inflation in the UK. The investors' forecast of the 12-month inflation rate by the end of 1993 has fallen to 3.7 per cent from 4 per cent last month. Base rates are forecast to fall to 6 per cent in a year's time.

The survey of 103 institutions handling £611bn ($923bn) of funds was carried out before the UK mini-budget on Thursday. The investors believed average earnings will increase by 4 per cent over the next 12 months, the lowest forecast for over a year.

For the first time since Smith New Court started the survey two years ago, the investors have decided to reduce their holdings of Japanese equities.

Improved package could seal ITN restructure

By Raymond Snoddy

A DEAL is close on the £30m restructuring of Independent Television News, the news organisation now owned by the ITV companies.

The consortium led by Mr Michael Green's Carlton Communications trying to take over ITN will today put forward an improved package to representatives of ITN shareholders.

Although negotiations are still continuing it is likely that two of the three big companies which will determinme the outcome of the deal, Thames Television and Yorkshire Television, will agree to sell their shares. The third, Granada Television, will take a significant stake in the reconstructed company.

The initial proposal put forward last month by Carlton, Central, London Weekend and Reuters offered £1 a share and new funds of up to £30m. ITN has a £5m a year deficit on the lease of its new central London headquarters.

As part of the deal, the four consortium members would get 80 per cent of ITN. Last week's deadline passed without agreement and talks began on a revised proposal.

A number of elements are now under consideration. There will be extra money for those who lost their franchises such as Thames. For continuing ITV companies there will be a larger slice of shares so that Granada and a number of other ITV companies will still have a voice in ITN.

The most important element is ITN's news supply agreement with the TV companies which is to average £53.3m a year over five years.

Companies such as Yorkshire are only likely to sell if there is a review after two years so they can benefit from any cost savings resulting from the reconstruction.

There will also be debate about how the payments are phased over the five year contract period.

Because ITN's articles of association will have to be changed for the deal, which requires a 75 per cent majority, any two out of the three large companies which are not members of the consortium – Thames, Granada, Yorkshire – can block it. If the new package is endorsed by the ITN board tommorow it will go to the Independent Television Commission for approval on Thursday.

Broker in mass recruitment

By Norma Cohen, Investments Correspondent

LAWRENCE KEEN, the private client stockbroker, has recruited 11 new staff members – including three who will become directors – from rival Granville Davies.

The move is one of the most significant mass recruitments in recent years in the private client stockbroking business which has been shedding jobs rather than gaining them.

Lawrence Keen was created via a management buy-out from its parent, Lawrence Prust, in 1986 following the spin-off of its former unit trust division, Framlington.

Mr Mark Powell, chief executive of Lawrence Keen, said the 11 include seven fund managers and four support staff who between them had managed roughly £200m for their former employer. The move could increase Lawrence Keen's client base by as much as 15 per cent, he said. The broker has roughly £1.25bn under management for 8,000 clients, mostly individuals, small pension funds and charities.

While there is no guarantee that the recruitment will result in a shift of clients, Mr Powell noted that key personnel in such moves have traditionally brought their customers with them.

"This is a very personal business and continuity of care is a very important part of the business".

Mr Powell said he does not expect there to be any legal obstacles to such a mass recruitment. The matter has already been discussed with executives of Granville Davies, a firm formed following a management buy-out by staff from Vickers da Costa.

A big boost for UK cable television

By Raymond Snoddy

THE UK cable television industry has received a significant financial boost – the first substantial injection of equity from US financial institutions.

EM Warburg Pincus and Bankers Trust are investing up to £70m in the UK cable and telephone operations of the Comcast Corporation, which has around 2.8m cable television subscribers in the US.

The new investors will take a controlling stake in Comcast UK, although they will not become involved managerially.

Cable television has developed slowly in the UK, mainly because of the difficulty of raising the appropriate long-term finance.

Comcast is one of the UK's largest cable operators, with franchises covering more than 1m homes, mainly in London and Birmingham.

The new finance will be used to help complete networks designed to offer television and telephone services and possible acquisitions.

By July the number of homes subscribing to modern cable networks had risen to more than 330,000 – an increase of 13.5 per cent over the previous three months.

GPA asks bankers to waive debt repayments

By Roland Rudd

GPA Group, the aircraft leasing company, has confirmed that it has asked its biggest bankers to waive debt repayments on outstanding loans of between $800m-$900m up to September 1996.

The waiver of the debt repayments is part of the rescheduling proposals which will be put to the group's 73 banks at a London meeting on November 23.

GPA has had to increase its bank indebtedness to pay for aircraft it has contracted to buy from manufacturers. The group's indebtedness since March may have increased by $2bn, giving total borrowings of around $5bn.

A $325m facility is due to be repaid in spring 1994. A "balloon payment" of 61 per cent of the $2.17bn corporate credit facility is due to be repaid in September 1996.

Some 61 per cent of the principal on the $1.19bn associated companies long-term credit facility falls a year later. A waiver of the covenant clauses would require the agreement of two thirds of the banks.

While GPA may have difficulty in paying back principal on the debt from cash flow it appears able to pay its interest on its debt for the foreseeable future.

The group's banks have already made it clear that the negotiations on waivers of debt repayments are interdependent on GPA's talks with the aircraft manufacturers.

GPA is pressing the aircraft manufacturers to introduce greater flexibility into their contracts.

The group is committed to spend $4.7bn by the end of 1993 on the purchase of 146 aircraft. It has paid $954.1m in predelivery payments, with Boeing holding 37 per cent of the payments, Airbus 29 per cent and McDonnell Douglas 26 per cent.

Mr Jim King, GPA's vice chairman, said: "We are very encouraged by the positive support from the suppliers and our discussions continue".

From bad guys to good guys

As South Africa embraces Ansbacher, **Roland Rudd** reports

MR BARRY Swart, managing director of the First National Bank of South Africa said: "We are being targetted as the big bad guys back home".

Mr Swart, who is in London to oversee the group's takeover of the UK merchant bank Ansbacher, is frequently asked by people back home why he bought a UK bank when there are not enough branches in the South African townships.

The brutal answer, replies Mr Swart, is that without a London base, he would not have been able to service his domestic multi-national clients, such as the Anglo-American Corporation, which are expanding overseas.

Ever since 1986, when its British parent Barclays disinvested from South Africa, Mr Swart has wanted to open a UK branch.

He explained that since South Africa was having problems making its debt repayments the Bank of England refused to let First National open a branch in the UK.

Then last year the Bank of England informed Mr Swart that there would be no objection if First National formed a UK subsidiary. Unlike a branch a subsidiary has its own resources and capital which to a large extent would be ringfenced from the parent.

With the green light from the Bank of England, First National immediately started to look at potential UK acquisitions.

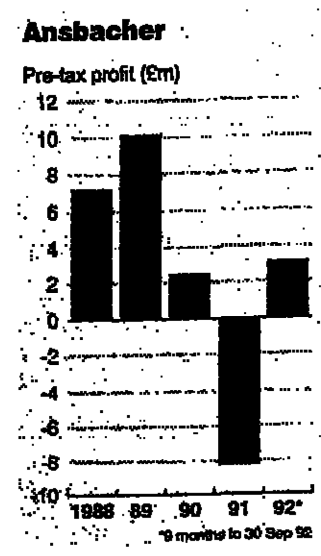
Ansbacher became an obvious choice because its biggest shareholder Pargesa Holdings, the Swiss investment group, was keen to sell its 62 per cent shareholding.

The South Africans also noticed that Ansbacher's management did not want to sell out to their rival, Singer & Friedlander, whom they suspected wanted to buy Ansbacher in order to get their hands on the bank's strong balance sheet.

Last week First National's offer, which values Ansbacher at £57.8m, was declared unconditional with 92.3 per cent of shareholders' acceptances.

Mr Swart, who has replaced Mr Richard Fenhalls as Ansbacher's chairman, is adamant that he does not want to turn the UK merchant bank into a South African satellite. "We are not trying to put a Johannesburg bank in London" he says.

Although the non-executive directors appointed to Ansbacher's board by the majority shareholders have all resigned,



First National does not intend to make any changes to the day to day management of Ansbacher.

Mr Fenhalls, who will be replaced as chief executive at the end of June 1993 by Mr Peter Scaife, First National's general manager, will continue his connection with Ansbacher as a non-executive director.

There will, however, be two significant operational changes.

First, corporate finance operations, which have recently earned record levels of fee income, and foreign exchange dealing, will be expanded to service First National's South African clients.

"We expect Ansbacher to generate much more business from South Africa" said Mr Swart.

Second, there will be far less lending to small businesses. Mr Swart said: "There are few advantages in competing with the big UK high street banks to lend money."

Ansbacher incurred a pre-tax loss of £8.23m in the year to December 31 1991, after making heavy provisions to offset losses on loans to small businesses.

Those loans have already been reduced. The net loan book was £80.8m at the end of September compared with £99.1m at the end of June.

Strong performances from offshore operations and asset trading resulted in a pre-tax profit of £3.13m for the nine months to the end of September. The group's capital resources were £89.5m.

Mr Swart says his immediate ambition is limited to expanding and in increasing Ansbacher's profitability and thereby becoming known as the good guys in the UK.

Wilshaw advances 75%

A 75 per cent advance in pre-tax profits was announced by Wilshaw, the specialist metals and building products group, for the half year to September 30.

On turnover up 40 per cent from £10.9m to £15.3m the profit amounted to £809,000 compared with £463,000. Mr Guy Askham, the chairman, was confident that a further increase in profitability could be achieved in the second half.

He said that exports and overseas sales now accounted for 65 per cent of turnover and that the realignment of sterling against the dollar would improve profitability in overseas markets.

The interim dividend is lifted from 0.1p to 0.15p, payable from earnings of 0.6p (0.38p).

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Investor Group (US)	Units of MCC (UK)	Publishing	£788m	Administrators resist bid
Credit Lyonnais (France)	BfG Bank (Germany)	Banking	£570m	Completes five year quest
BCE (Canada)	Mercury Communications (UK)	Telecoms	£480m	20% stake
United Biscuits (UK)	Unit of Coca-Cola Amatil (Australia)	Snacks	£196m	CCA non-core sale
Altus Finance (France)	Australian unit of Costain (UK)	Coal mining & property	£160m	Hanson gazumped
Marsh McLennan (US)	Frizzell Group	Insurance	£107m	Affinity-driven deal
T&N (UK)	Goetze (Germany)	Motor components	£101m	First big German buy
Hafslund Nycomed (Norway)	Christiaens International (Holland)	Pharmaceuticals	£81m	Strengthening European network
Rentokil (UK)	Creative Planting (US)	Plants services	£15.7m	Maximum price payable
Air Canada (Canada)	Continental Airlines (US)	Airlines	£290m	Proposal now accepted

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 16.11.92: Pool purchase price £/MWh	Final Prices for Trading on 15.10.92: Pool purchase price £/MWh	Final Prices for Trading on 15.10.92: Pool selling price £/MWh
0030	18.06	17.58	17.58
0100	26.38	17.59	17.59
0130	26.38	17.66	17.66
0200	26.38	20.65	22.63
0230	24.60	25.86	28.04
0300	24.60	25.86	28.01
0330	24.60	20.69	22.86
0400	23.36	20.69	22.87
0430	22.12	20.89	22.87
0500	17.71	20.89	22.89
0530	19.56	20.69	22.67
0600	18.83	20.38	22.35
0630	17.70	20.38	22.35
0700	17.71	20.38	22.36
0730	18.83	21.04	23.04
0800	17.71	28.01	30.20
0830	17.71	28.01	30.12
0900	17.72	28.01	30.15
0930	22.38	21.04	23.02
1000	22.64	21.04	23.02
1030	23.04	21.49	23.48
1100	23.04	24.56	26.63
1130	23.04	24.25	26.30
1200	32.10	24.56	26.63
1230	32.10	28.01	30.16
1300	32.10	28.01	30.14
1330	23.61	24.56	26.62
1400	19.66	24.25	26.30
1430	17.72	21.94	23.93
1500	17.71	21.49	23.48
1530	17.71	17.72	17.72
1600	18.04	17.72	17.72
1630	23.04	17.71	17.71
1700	25.66	17.71	17.71
1730	30.37	21.49	23.47
1800	30.37	23.47	25.50
1830	30.37	24.71	26.75
1900	28.21	28.01	30.11
1930	25.66	28.01	30.09
2000	25.66	28.01	30.13
2030	23.91	24.91	26.96
2100	23.04	24.91	26.96
2130	23.04	23.74	25.77
2200	23.04	22.09	24.09
2230	18.00	21.49	23.48
2300	17.72	21.04	23.03
2330	17.70	17.69	17.69
2400	17.47	17.66	17.66

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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0030	18.04	17.46	17.46
0100	18.05	17.58	17.58
0130	23.04	17.79	17.79
0200	23.04	20.88	23.50
0230	23.04	28.01	30.87
0300	23.04	28.01	30.87
0330	20.03	28.01	30.83
0400	18.00	22.34	25.04
0430	17.72	21.08	23.73
0500	17.71	17.70	17.70
0530	17.71	17.71	17.71
0600	17.71	17.71	17.71
0630	18.05	20.81	23.48
0700	24.05	23.91	26.71
0730	24.45	24.87	27.70
0800	24.64	30.33	33.43
0830	24.85	31.29	34.43
0900	25.12	31.69	34.92
0930	30.02	31.10	34.31
1000	28.22	31.04	34.21
1030	30.05	30.86	33.83
1100	28.22	30.09	33.01
1130	28.22	28.60	31.43
1200	28.22	28.41	31.20
1230	28.22	28.29	31.08
1300	25.80	28.78	30.84
1330	21.15	25.61	28.16
1400	21.15	22.13	22.13
1430	21.15	21.71	21.71
1500	21.00	21.71	21.71
1530	21.01	21.71	21.71
1600	26.68	21.72	21.72
1630	41.73	24.86	27.61
1700	54.50	24.93	27.60
1730	56.41	28.17	30.92
1800	47.74	28.30	31.06
1830	37.32	28.75	31.65
1900	28.55	31.14	34.08
1930	28.25	30.96	33.89
2000	25.34	28.20	30.95
2030	24.64	24.82	27.46
2100	24.55	24.81	27.46
2130	24.50	24.81	27.46
2200	24.50	24.32	26.99
2230	24.50	23.82	26.49
2300	20.80	23.82	26.51
2330	17.72	23.82	26.65
2400	17.71	17.72	17.72

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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Toyota considers output increase

By Chris Barrie

TOYOTA is considering increasing production in the North American Free Trade Area, according to Mr Osamu Kimura, president of New United Motor Manufacturing (Nummi), a 50-50 Californian joint venture between the Japanese vehicle maker and General Motors of the US.

Mr Kimura said the plans, being drawn up by Toyota's US projects division in Tokyo, could entail investment to increase capacity by 100,000 vehicles to 200,000 a year in three to five years.

Under consideration is investment in a new plant in Mexico, in Toyota Motor Manufacturing Canada and in Toyota's car plant in Georgetown, Kentucky, which is doubling capacity to 400,000 vehicles a year.

Mr Kimura stressed the plans were at an early stage and no decision had been taken. He suggested investment in a facility would cost at least $500m.

The company was attracted by the low wage costs of Mexico, but the lack of a sophisticated supply infrastructure would mean importing parts from the US midwest, thereby increasing transport costs.

Nummi's California plant was also a candidate for expansion, he said. "There are many proposals from almost every state in the US. They are asking Toyota to come to their state, to build a plant."

He said Toyota "has some hesitation" because of concern over the state of the US market and the political danger of increasing capacity when Ford, GM and Chrysler were under pressure. The company was watching carefully for President-elect Bill Clinton's policy on Japanese transplants.

Mr Kimura was in Scotland to address industrialists at a Strathclyde Institute conference on manufacturing. "The recession is continuing in Japan, America and Europe at the same time. Toyota's stance is very conservative, to save money," he said.

The company's resources were already committed to expansion at the Kentucky factory, in the UK, in Turkey and China, and in a joint venture with GM in Australia.

The agreement with GM that established Nummi expires in four years due to limits placed by the Federal Trade Commission (FTC). Mr Kimura expected talks to begin with the FTC and GM over Nummi's future early next year.

Both Toyota and GM have said they would like the present joint venture to continue.

Asda lifts three-year facility to £300m

By Brian Bollen

ASDA, the UK supermarket group, has arranged a £300m ($453m) three-year facility to replace a higher-priced multi-option facility first arranged in 1989, as part of an effort to improve its financial position.

Following its acquisition of 60 Gateway superstores for £704m in 1989, the company has been struggling under a mountain of debt.

The latest refinancing represents an important stage in Asda's efforts to bring its finances under control. The size of the facility has been increased by £50m from £250m, and the maturity is being extended by a year. In addition, the margin over the London interbank offered rate has been cut from around 100 basis points to 85 basis points, reflecting the company's improving financial position. National Westminster Bank and Swiss Bank Corp are the arrangers.

The facility was last amended in October 1991 at the time of Asda's rights issue, which has been seen as a turning point in the company's recovery after it had lost its way in the mid-1980s.

Asda is also asking the banks to loosen some restrictive covenants.

Last month, Asda sold two development sites and one store for £57m as part of an effort to reduce its large debt mountain totalling more than £500m.

Humana stops paying dividends

By Martin Dickson in New York

HUMANA, one of the largest hospital and healthcare companies in the US, is to stop paying dividends next year. The news sent its shares sliding by almost 17 per cent on Friday.

Humana linked the pay-out halt to its plans to split the business into two separate companies. Its healthcare management business is being spun off from its chain of 78 hospitals in the US and Europe.

The company gave few clues as to why the dividend was being suspended after the payment due on February 1, merely saying that it would "provide the resources for taking advantage of opportunities post spin-off, whatever they may be".

Many institutional investors, which had held Humana stock partly for its dividend, rushed to sell after the announcement. The shares were the most actively traded on the New York Stock Exchange on Friday and closed down $4 at $19⅞.

Humana has disappointed Wall Street over the past year with lower earnings and reported a $166m loss for the quarter ended on August 31 after hefty one-time charges related to the spin-off.

The company's hospitals appear to have been hurt by anger among doctors forced to accept discounted fees from the health management side of the business.

The physicians have been sending lucrative patients to rival hospitals. The spin-off is intended to reduce this friction between the two sides of the business.

However, analysts are at a loss to explain the reasons for the dividend elimination, pointing out that the company enjoys strong cash flow from its hospitals.

Indonesian private bank suspended

By William Keeling in Jakarta

BANK Summa, one of Indonesia's 10 largest private banks, which is privately-owned by the Soeryadjaya family, was suspended by the country's central bank from clearing operations on Friday.

Meanwhile two tranches of shares in Astra International, the Indonesian automotive group which dominates the country's stock exchange and is majority owned by the Soeryadjaya family, were sold on Friday for $197m.

Bankers said the disposals were precipitated by Bank Summa's problems and appear to indicate that the Soeryadjaya family were reducing their holding in Astra. The buyers of the shares are not known.

Following the suspension Dr Adrianus Mooy, governor of the central bank, met with President Suharto on Saturday to discuss, bankers believe, the possible ramifications of Bank Summa's financial problems for the banking sector.

Bank Summa has been hit by a fall in the value of its property portfolio and bankers say it needs a cash-injection of up to $600m.

Bank Summa officials said on Friday they hoped to resume clearing operations today.

Astra has stressed that its finances and those of Bank Summa are separate. In September, Mr William Soeryadjaya, the founder chairman of Astra stepped down and was replaced by Mr Sumitro Djojohadikusomo, a former economics minister and an associate of President Suharto.

Astra is Indonesia's second largest company with a market capitalisation of $1.2bn.

It has suffered this year from a sharp decline in car sales and brokers estimate 1992 net profits at about Rp74bn ($35.7m), as against Rp210bn last year.

Brokers say that 20m shares went to a foreign buyer and a similar number to a domestic purchaser on Friday.

Astra announced two months ago that Toyota of Japan would take a stake, but Toyota yesterday denied that it had purchased any Astra shares.

NZ forestry group rises 12.4%

By Terry Hall in Wellington

CARTER Holt Harvey (CHH), New Zealand's biggest forestry group, has reported a 12.4 per cent rise in net profits to NZ$112.4m (US$61m) for the first half to September 30 from NZ$84.9m a year earlier, in spite of bitter and prolonged strikes at four of its forest products plants.

Mr David Oskin – who manages CHH for International Paper, the leading US paper manufacturer, and Brierley Investments, the New Zealand holding company, which jointly own 32 per cent of the company – said the result was also achieved in spite of increasingly competitive markets.

He said that all CHH's main operating sectors traded at or above expectations and all costs relating to the strikes had been included in the figures. He did not give a profit forecast for the year, saying this depended on international commodity prices. There were some good signs, but pulp and paper prices remained a concern.

Mr Oskin said that during the past six months a new management team at CHH had continued to reorientate the company into a focused and strongly positioned forestry group. This work was near completion, and beginning to be reflected in earnings.

Pre-tax profits rose 63 per cent to NZ$79.4m from NZ$48.8m. Copec, the group's Chilean offshoot, contributed NZ$37.3m, down from NZ$43.3m. Sales slipped to NZ$1.23bn from NZ$1.23bn.

Mr Oskin said the forestry and wood product sector was showing better results. The falling availability of North American softwoods and tropical hardwoods was becoming apparent in the Pacific area leading to higher sales of the company's pine. The 4 cents a share interim dividend compared with 6 cents.

CHH delayed for the second week running an announcement on the outcome of the NZ$400m sale of its Sealord fisheries division. There are two bidders: a consortium of Maori interests and Brierley Investments and a group led by Royal Greenland, a Danish fishing company.

Kvaerner takes over shipyard

By Karen Fossli in Oslo

KVAERNER, the Norwegian engineering, shipping and shipbuilding group, has acquired the 60 per cent it did not own in Kimek, a shipyard in Kirkenes on the border between Norway and Russia, from Syd Varanger, a partially state-owned company.

As consideration for the deal, Kvaerner will provide the yard – to be called Kvaerner Kimek – with NKr30m ($5.2m) in fresh capital and NKr70m "in kind" including technological assistance. It will implement a NKr230m expansion and modernisation programme to be completed in 1994.

The industry ministry will contribute NKr189.5m to the modernisation programme, to allow the yard's workforce to expand by 100 to 250 employees by 1995, and provide an additional 150 jobs as local spin-offs from the yard's remotely-situated operations. Syd Varanger had planned to close the yard.

Kvaerner Kimek will derive an estimated 80 per cent of this year's NKr150m budgeted turnover from Russia, where it has a well-established market concentrating primarily on modernisation and maintenance of the Russian fishing fleet.

Since 1988, when Kvaerner acquired the Govan yard in Scotland from British Shipbuilders, it has had an almost insatiable appetite for shipyard acquisitions.

Its investment in shipbuilding expansion in the last four years has reached an estimated NKr1.3bn.

In 1990 it acquired Masa-yards in Finland. Earlier this year it bought a ship-repair yard in Gibraltar and a group of Norwegian yards. Last month the group took control of the Warnow shipyard in eastern Germany for NKr4m in a deal which propelled it to the position as Europe's biggest shipbuilder.

In 1991 shipbuilding accounted for one-third of the group's total NKr18.66bn revenue. In the first nine months of this year the shipbuilding division boosted operating revenue to NKr4.14bn from NKr3.9bn last year as profits rose to NKr494m from NKr339m.

Northwest Air downgraded

By Nikki Tait in New York

AS speculation continues about Northwest Airlines, the fourth largest US carrier, Standard & Poor's, the big New York ratings agency, downgraded the company's senior unsecured notes from B minus to CCC plus.

S&P said that the downgrade "reflects further erosion of the equity base, due to ongoing losses and the bondholders' standing as unsecured creditors of the holding company, which places them in an essentially subordinate position".

Japanese developers hit by property slump

By Emiko Terazono in Tokyo

INTERIM profits of Mitsui Fudosan, Japan's largest property developer, have been hit by the country's property price slump and land holding taxes.

The company posted a 38.3 per cent fall in non-consolidated taxable profits for the first six months to September, to Y17.4bn ($145m). Interim sales edged ahead by 0.1 per cent to Y396.4bn, while net profits fell 39.5 per cent to Y9.1bn. Mitsui blamed the stagnation of Japan's property market. Sales of the company's housing division fell 8.4 per cent to Y205.8bn. Newly introduced landholding taxes worth Y2.4bn also eroded profits.

The company said capital spending for the current year would be slashed by about Y100bn from the previous year to Y70bn.

● Daikyo, the leading Japanese condominium developer, saw a sharp fall in first-half profits due both to the slump in the Japanese property market and an appraisal loss on securities holdings.

Pre-tax profits for the first half to September fell 36.5 per cent to Y4.7bn, on a 24.3 per cent fall in sales to Y261.7bn. Net profits fell 14.7 per cent to Y2.8bn. Daikyo blamed the poor performance on a 35 per cent fall in condominium sales to 4,907 units and losses on its securities portfolio appraised at Y2.9bn.

However, Daikyo's sale of office buildings worth Y40bn to affiliates and other business partners, as a part of its restructuring scheme, propped up its sales figure.

The company's cash on hand and deposits fell 64.2 per cent to Y20.9bn, while short-term borrowings rose 45 per cent to Y675.3bn.

Daikyo expects to slash profit margins in the second half to sell 6,000 condominiums to reduce inventories.

INTERNATIONAL CAPITAL MARKETS

INTERNATIONAL BONDS

A cold shoulder for Latin American borrowers

THE WARM reception which once awaited any Latin American equity or bond issuer is cooling.

With a large queue of Latin American names waiting to tap the international bond markets over the next few months, foreign investors have turned cold at the prospect of oversupply.

As a result, several Latin American borrowers have had to offer more attractive terms on their bond issues in order to raise the *necessary funds*, while yield spreads on existing issues have widened by as much as 100 basis points.

The pressure in the Eurobond market is prompting borrowers to consider other means of raising finance.

For example, Compania de Telefonos de Chile, the Chilean telecommunications company, is preparing to launch a convertible bond issue, and other borrowers may consider subordinated debt issues with convertibility rights, investment bankers have said.

The cold-shouldering of Latin American bond issues follows an equally frosty response to international equity offerings from that part of the globe.

International equity offerings from companies such as Banacci, the Mexican holding company which owns the country's biggest bank, and Grupo Synkro, the Mexican consumer goods company, were postponed earlier this year due to unfavourable stock market conditions.

On the recent increase in bond yield spreads, Mr Paul Luke, an analyst at Morgan Grenfell, says: "The Eurobond market has caught up with what happened in the domestic equities markets."

The trigger for the bond market has been concern about oversupply.

Mr Stephen Dizard, head of trading in Salomon Brothers' emerging markets department in New York, shocked investors and bond market participants at a conference in early October with his estimate that a total of $20bn of Latin American bond issues was expected within the next 12 months, of which $4bn was due by the end of 1992.

Mr Richard Watkins, chief executive of the LatInvest Group, an investment banking group, says: "The implication was that the figures were so large, borrowers would have to pay a higher price in order to complete them."

And one bond dealer adds: "It has come as a shock to the market that there was such a backlog of deals."

Yield spreads on Latin American bonds – particularly those from Mexican and Argentine borrowers – have shown a marked narrowing earlier in the year and some bond market participants claim that by the summer of 1992, deals from these countries were being launched at very aggressive prices. However, recent worry about oversupply has caused a reversal of this trend, and the yield spreads over US Treasuries have widened again.

To take an example: Nafinsa, the Mexican state development bank, has a bond maturing in 2001 which traded at a yield spread over US Treasuries of 360 basis points at the start of the year.

The spread narrowed to 200 basis points by the summer, but it now lies at around 310 basis points.

Latin American borrowers have had to adjust the yield spreads on new issues accordingly. Dealers point out that oversupply concerns have added about 100 basis points to the yield spreads as a rough rule of thumb.

One syndicate manager says: "A few weeks ago we were talking with borrowers about yield spreads of 325 to 350 basis points over five-year Treasuries in the pre-marketing discussions: we then had to move towards 375 to 400 basis points, and eventually launched at 400 to 450 basis points."

The Republic of Argentina's $250m five-year issue, which was launched at the end of September at a yield spread of 300 basis points over Treasuries, is now at a bid-offer spread of 385 to 360 basis points, according to CSFB, the lead manager.

Yield spreads on Argentine bonds widened further last week as Argentina's financial markets were troubled by rumours that Mr Domingo Cavallo, the economy minister, might resign, coupled with concern about the government's commitment to economic reform.

Salomon Brothers' recent $150m five-year deal for Grupo Dina, Mexico's largest truck manufacturer, was originally supposed to be launched at a yield spread of 350 basis points. Eventually it was launched with a yield spread of 475 basis points, and the deal is now trading at 500 basis points over the Treasury.

Goldman Sachs' recent $100m five-year issue for Gemex of Mexico was launched at a yield spread of 475 basis points, whereas in the early discussions with the borrower, the lead manager had suggested a spread of 350 basis points.

Investment bankers cite a host of additional reasons why investors are rather less enthusiastic about Latin American issues today.

These range from the scandal surrounding President Collor in Brazil, to political concerns in Venezuela, and worries about the size of the Mexican current account deficit.

Furthermore, non-US investors have tended to focus more on the European bond markets, seeking safety in the D-Mark bloc, and have shown less interest in the US dollar markets because of the lower interest rates.

Dealers believe that some Latin American borrowers will simply postpone their bond issues in the hope that yield spreads will narrow again.

However, others may have to accept the new pricing levels.

One syndicate manager says: "Some deals simply have to be done because the companies need the funding at any price in order to pay off bridging loans and other commitments."

Mr Paul Luke believes it is unlikely that the market will see any narrowing of spreads given the impending supply.

Lead managers admit that they are having problems promoting the issues. "We are having to work hard to sell the credits" says one manager.

Sara Webb

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Tsurumi Manufacturing(a)♦	50	1996	4	1.625	100	Daiwa Europe	-
Dowa Mining Co.(a,m)♦	70	1996	4	1.625	100	Yamaichi Int.(Europe)	-
Dowa Mining Co.(a,n)♦	30	1996	4	1.625	100	Nikko Merch.Bk(Sing.)	-
Banco Real(b)	50	1995	2.5	10	98	ABN Amro	10.936
Banca Cremi(b)	50	1995	3.05	9	98.95	Merrill Lynch Int.	9.400
Gemex(b)	110	1997	5	10.75	99.924	Goldman Sachs Int.	10.770
Cydsa(b)	50	1995	3	9	99	Citicorp Inv.Bank	9.390
Yokokama Rubber Co.(h)♦	180	1996	4	2	100	Yamaichi Int.(Europe)	-
Cepme(i)‡	50	(i)	(i)	(i)	100	Merrill Lynch	-
European Inv.Bank	120	1996	4	5.75	99.91	CSFB	5.776
Citi Investments(b)	50	1993	1	9.5	101.177	Citicorp Inv.Bank	8.250
Peoples Cnst.Bk.of China(t)‡	150	1997	5	(t)	100	Merrill Lynch Int.	-
BNP(u)	100	1997	4.81	6	100.765	BNP Cap.Mkts.	5.807
D-MARKS							
Inter-American Dev.Bank	500	2002	10	7.5	102	Deutsche Bank	7.212
National Bank of Hungary	600	2000	7	10	102	Bayerische LBk	9.595
Eurofima(e)	350	2002	10	3	102.3	JP Morgan	-
Dresdner Finance(j)♦	750	1997	5	7.5	115.5	Dresdner Bank	-
KfW Int.Finance Inc.	1.5bn	1997	5	7.25	101.51	Deutsche Bank	6.883
Kikuchi Clr.& Chem.(o)‡★★	25	1997	5	(o)	100	DKB(Deutsch.)	-
Sasaki Electric Corp.(o)‡★★	20	1997	5	(o)	100	Sakura Bk(Deutsch.)	-
STERLING							
Leeds Permanent Bldg.Soc.	100	1997	5	7.5	100.74	SG Warburg Secs.	7.318
Guinness	150	1997	5	7.375	101.125	JP Morgan Secs.	7.100
European Inv.Bank(k)	200	1998	5.29	7	99.414	BZW	7.125
National Grid Company(l)	200	1998	5.28	7.375	101.351	BZW	7.048
Kingdom of Sweden	600	1997	5	7.5	99.85	UBS P&D/SG Warburg	7.537
FRENCH FRANCS							
BNP(c)	1bn	1997	5	8.625	102.265	BNP Cap.Mkts.	8.057
Eurofima(f)	500	1999	6.73	8.625	101.96	Société Générale	8.221
CNCA(p)	1bn	1995	3	8.25	100.895	CNCA	7.903
BSN(q)	500	1999	7	8.8	101.95	Crédit Lyonnais	8.420
Crédit Local de France(r)‡	500	1999	7	(r)	101.65	CCF	-
Soc.Nat.Elf Aquitaine	1bn	2002	10	8.5	98.83	Paribas Cap.Mkts.	8.680
CANADIAN DOLLARS							
CCDQ(s)	100	1997	5	8	100.575	Wood Gundy Inc.	7.857
Comm.Urbaine de Montreal	100	2002	10	9	100.825	Wood Gundy Inc.	8.872
GUILDERS							
Abdij Nationaal First Capital	200	2002	10	8	101.25	SBC Nederland	7.815
Bk.for Dutch Municipalities	500	2002	10	7.625	100.45	ABN Amro	7.559
Province of Quebec	350	2002	10	7.75	100.3	AMN Amro	7.706
SWISS FRANCS							
Dentsu Holdings(d)‡★★	40	1997	5	(d)	101.1	DKB(Schweiz.)	-
Ono Sokki Co.(g)‡★★	50	1996	4	(g)	101.05	Mitsubishi Bk.(Switz.)	-
Yamada Corp★★	11	1997	5	6.625	100.125	Paribas(Suisse)	-
European Inv.Bank	200	1998	5	6	102	Swiss Volksbank	5.531
IKB-Deutsche Industriebank	100	2003	10	6.625	101.75	Swiss Volksbank	6.399
LUXEMBOURG FRANCS							
Credito Romagnolo★★	600	1998	5.03	8.25	102.25	BCEE	7.692

Final terms and non-callable unless stated. ★★Private placement. ♦With equity warrants. ‡Floating rate note. a) Exercise premium fixed at approximately 2.5%. b) Coupon payable semi-annually. c) Fungible with FFr1.5bn issue launched on 22/10/92. d) Coupon pays 35bp over 6-month Libor. e) With currency warrants: 10 per DM5000 bonds. Each warrant entitles holder to sell DM3500 for $ on 31/5/94 at a strike price of 1.75DM/$. f) Fungible with outstanding FFr1.5bn bonds 40 days after payment date. g) Coupon pays 45bp over 6-month Libor. h) Final terms fixed on 17/11/92. i) Undated issue. Coupon pays 6-month Libor plus 125bp up to 30/11/97, plus 180bp up to 30/11/02 and plus 240bp thereafter. Callable on 30/11/97 at par. j) 39 warrants/ DM5000 bonds. 3 warrants entitle holder to subscribe for 1 share at DM380 from 17/12/92 to 10/12/97. k) Part paid issue: 25% due on 15/12/92 with the balance on 30/3/93. l) Event risk put option included. m) Euro tranche. n) Asian tranche. o) Coupon pays 40bp above 6-month Libor. p) Full name of borrower and bookrunner: "Caisse Nationale de Crédit Agricole". q) Issue launched on 28/10/92 was increased to FFr1.5bn. r) Coupon pays fixed annual 9% for first year and 30.25% minus 6-month Pibor thereafter. s) Full name of borrower is: "La Caisse Centrale Desjardins du Quebec". t) Coupon pays 65bp above 6-month Libor. u) Fungible with $250m of bonds issued in August. Plus 70 days accrued interest. Note: Yields calculated on ISMA basis.

RISK AND REWARD

Traders in volatility relish the profits on recent uncertainties

THE events of the past two months could have been stage-managed for anyone who trades on uncertainty.

The French vote on Maastricht, the US election, the Canadian referendum – each had the power to turn the tide in financial markets, and each seemed too close to call in advance. For the growing band of volatility-traders – the people who do not mind what happens to prices, as long as uncertainty about them rises – it was a godsend.

Option pricing is a complex business. But it is intuitively not difficult to grasp why volatility itself has a price. Uncertainty, for example, about the outcome of an election, may have no effect on the level of interest rates or equity and currency prices. But it will make it more expensive to hedge a particular market exposure.

More people will want to buy protection, pushing up the cost. This extra cost – the price of greater perceived risk in a market – reflects a change in what options traders call implied volatility.

Trading on that volatility, rather than any actual movement in market prices, has become a popular pastime among banks active in the derivative markets, and even some fund managers.

To do it, traders buy two matching options, a call and a put, which exactly cancel each other out. One may give the right to buy sterling at 1.50 to the dollar in three month's time, the other the right to sell at the same rate. Underlying market risk – known as delta risk – is neutralised.

What remains is a play on volatility – or gamma risk, in the jargon of the options market. The volatility of the Italian bond futures market is around 8 per cent at the moment: prices have settled into a relatively narrow range after the gyrations of September. If that volatility rate leapt back to the 25 per cent peak of September, then anyone holding matching put and call options could sell both of them on at a profit.

Even if you're wrong about volatility rising, you can still make money this way. If prices in the market move far enough, no matter in which direction, you could exercise one option at a profit and let the other expire worthless.

One risk is that volatility will not rise but fall, against a background of stable market prices. That is roughly what has happened in recent weeks across a range of markets. The volatility of German government bond futures has fallen from 5 per cent a month ago to under 3 per cent.

This decline may be bad for anyone betting on volatility, but it has made it cheaper for investors or companies to hedge their financial exposures. It is better to buy an option when volatility is low. In extreme circumstances, such as mid-September in Europe, it can be not only prohibitively expensive but actually impossible to hedge.

Falling volatility is not the only way to lose money – as the events of recent weeks have taught less-experienced options traders. Rising uncertainty punishes traders who have sold, rather than bought, volatility. Also, interest rates can jump through the roof, sending the carrying costs of an option position soaring – in Sweden, the overnight rate leapt to 500 per cent at one point.

And it takes a real market shake-out to reveal the flaws in new-fangled financial instruments. One such is the "stop-out", or "one-touch" option. This was designed to reduce the cost of hedging: the option is exerciseable if the price moves to a certain level, but if it moves far enough in the opposite direction, the contract instantly expires. Recent oscillations in some ERM currencies proved too much for these instruments, as prices bounced up and down, killing off the options before they could be exercised.

Trading in volatility could itself have profound effects on underlying markets – a consideration which has not been lost on regulators. Some options strategies are actually designed to increase volatility.

Where will the volatility traders look next for a profit? Most still think Europe offers the best opportunities. The French elections, the next event stage-managed for the options market, are still some way off. But in the meantime there is always the chance of some excitement at or beyond the fringes of the ERM. Italy and Sweden, the most volatile markets in September, remain the favourites. European central bankers should tighten their safety belts: it could be a bumpy ride ahead.

Richard Waters

CONTRACTS & TENDERS

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INTERNATIONAL CAPITAL MARKETS

UK GILTS

Treasury's mood change brings on the jitters

WHAT A difference four months makes when it comes to UK public spending!

The change in mood at the Treasury about the UK economy in between its assertions in July about public spending and last week's Autumn Statement has caused jitters in the gilts market.

The nervousness concerns the large rise in government borrowing that seems likely over the next few years, on account largely of the much longer than expected nature of the struggle to lift the UK economy out of recession.

Back in July, the Treasury was relatively optimistic about progress being made towards a recovery.

It had not then fully disowned its projection made at the time of the March Budget that the economy would grow by about 3.1 per cent in 1993, ending the period of economic decline that started around mid-1990.

However, in the Autumn Statement, Treasury forecasters had changed their tune. They pencilled in growth next year of 1 per cent, after a 1 per cent contraction this year.

As part of the price of higher spending and reductions in tax income, government borrowing in 1992-93 is forecast to be £37bn, well up on the £28bn projected in the Budget. The deficit could rise to £44bn in 1993-94, according to Treasury estimates.

The extra borrowing worries gilt practitioners, on account of the large volume of gilts that will have to be issued over the next few years. Even though last week prices for gilts traded in a narrow range – with a small increase in yields at the short end of the yield curve after the much expected reduction in base rates from 8 per cent to 7 per cent – there is some fear that prices may drop over the next few weeks as realisation about the volume of issues sinks in.

The Treasury had some success last week in partially disguising the degree to which government spending is likely to rise over the next few years as a result of the recession and its aftermath.

Most attention focused on its new control total for public spending – which excludes social security spending reckoned to be related to the economic cycle such as unemployment pay. According to the Autumn Statement the control total is to climb from £232bn in 1992-93 to £263.3bn in 1995-96, an average increase of 1.4 per cent a year in real terms, using the new assumptions for inflation sketched in as part of the statement.

The yearly increases in real terms envisaged by the Treasury are similar, as the table shows, to those which it pencilled in in July, as part of its initial thinking about control-total spending over the period in question.

However, in the case of general government expenditure (GGE) – which includes all payments by local and central government – the story is different. Back in July, the Treasury was talking about limiting increases in GGE (excluding privatisation proceeds) to 2 per cent a year on average in real terms during the three-year period to 1995-96. The new figures outlined by the Treasury last week are significantly bigger, according to which the real increase is an average of 2.6 per cent a year over the period.

The worry for the gilt market is that what the Treasury has revealed in its Autumn Statement puts an over optimistic gloss on what is the true likely state of government finances over the next few years.

According to calculations by Mr Michael Saunders of Salomon Brothers, borrowing could be bigger than the Treasury projects, rising from £40bn in 1993-94 to £58bn in 1994-95 and £65bn the year afterwards.

Peter Marsh

UK GOVERNMENT SPENDING

	1992-93	1993-94	1994-95	1995-96
Inflation (% on year)				
New inflation assumption#	-	2.75	3.25	2.75
Old inflation assumption*	-	3.0	2.25	2.25
General expenditure, excluding privatisation revenue				
New cash figure (£bn)	268.8	286.6	302.5	316.4
Cash increase (% on year)	-	6.6	5.5	4.5
Real increase (% on year)	-	3.8	2.2	1.8
Assumed real increase** (% on year)	-	2.0	2.0	2.0
Control total				
New cash figure (£bn)	232	243.8	253.6	263.3
Cash increase (% on year)	-	5.1	4.0	3.8
Real increase (% on year)	-	2.4	1.8	1.1
Assumed real increase** (% on year)	-	2.8	0.75	1.0

*Cash figures are as set out in last week's Treasury Autumn Statement; #assumption for inflation as measured by GDP deflator, Autumn Statement; *assumption for inflation, as set out in July 1992 statement on public spending; **indicated by July public spending statement*

FRENCH GOVERNMENT BONDS

Salami tactics bring some optimism

A MOOD of wide – though hardly wild – optimism has settled into the French bond market, after the government continued its salami tactics of slicing another quarter percentage point off interest rates on Thursday.

The consequent rise in bond prices led to some profit-taking, and the market closed the week with the yield on the benchmark 10-year OAT government bonds at 8.01 per cent, compared with 8.05 per cent a week earlier.

The most durable factor behind this optimism is that it is not built on expectations of early cuts in German interest rates, or any immediate further rate reductions in France.

Mr Bernard Godement, an economist with the Nomura Research Institute in Paris, says it will be 1993 before German rates come down.

Certainly, the French government wants to avoid its mistake of a year ago when it moved ahead of Germany in cutting interest rates, only to have the foreign exchange markets force it to step smartly backwards. Having to reverse an interest rate cut would be politically worse than no further cut at all in the run-up to next March's parliamentary elections.

So far, all the Banque de France has really done this month is catch up with the interest rate cut the Bundesbank made in early September. Some economists, such as Mr Christopher Potts, a Banque Indosuez economist, believe the current ¾ to ½ percentage point margin of French money market rates over German ones gives the government "a slight margin of manoeuvre", which it might use to lower official rates a bit before the end of year.

These constraints limit a further narrowing, in the near future, of the famous spread between the yields of long-term French OATs and German bunds. This has shrunk, from 1.25 per cent at the height of September's currency crisis to 0.68 per cent on Friday. Mr Potts does not see grounds for any further big reduction in this spread.

However, the general gloom which has hung over the French economy is vanishing for three reasons:

● First, the franc has emerged with battle honours from its September crisis. The Banque de France has larger foreign exchange reserves than before that crisis, Mr Michel Sapin, the finance minister, said this week. In addition, the chances that France's likely centre-right government next year will abandon the socialists' strong franc policy receded further last week.

Mr Philippe Séguin, the Gaullists' anti-Maastricht standard bearer and leading proponent of a more flexible exchange rate policy, said he was most unlikely to be part of the next government.

● Second, if the recent interest rate cuts help contain servicing costs on the public debt and promote investor confidence, then government forecasts of 2.1 per cent growth this year and 2.6 per cent next year may no longer look like gross over-estimates. The public deficit will still be nearly FFr220bn in 1992 and more than FFr200bn in 1993. But it may not skew the bond market as much as it has. New government issues rose 42 per cent in the first nine months of this year, but those of financial institutions and of industry fell 21 per cent and 5 per cent, respectively.

● Third, the opposition's commitment to a sizeable privatisation programme gives hope for deficit and debt reduction. The bond market would clearly benefit from this.

David Buchan

US MONEY AND CREDIT

Rally marks diminishing fear of the President-elect

CLINTON-PHOBIA seems to be diminishing, at least temporarily, in the US credit markets.

The long end of the government bond market, which reacted badly in September and October to the prospects of a Democratic presidential victory, rallied strongly last week in spite of Governor Clinton's impending occupancy of the White House.

The rally – the most sustained rise for almost two months – was the more impressive for occuring in circumstances which might normally be expected to weigh the market down: a heavy Treasury bond auction and a slew of positive economic reports.

The benchmark 30-year Treasury bond was quoted in late trading on Friday at a yield of around 7.572 per cent, down from almost 7.76 per cent a week before. Three main factors appeared to underlie the change in sentiment:

● First, the market seems to be coming round to the view – albeit warily – that it may have over-reacted to a Clinton presidency in sending long bond yields soaring from around 7.22 per cent in early September, interrupting a steady downward trend.

Mr Clinton has gone out of his way since the election to reassure the money markets that he is not a fiscal firebrand, and Wall Street is increasingly of the view that his proposed economic stimulus will not seriously ignite inflation, as was once feared.

● Second, the market saw the removal last week of a second leading cause of recent uncertainty – the Treasury's $37bn quarterly refunding programme, which turned out better than many had feared.

● Third, the economic fundamentals still seem relatively benign for the bond market, with inflationary pressures extremely subdued. The market was especially cheered by Tuesday's news that the core producer price index figure rose a scant 0.1 per cent in October, although the enthusiasm was dampened a little on Friday by a strong, but possibly aberrant, consumer price index figure.

True, there have been plenty of statistics over the past two weeks to suggest that the US economy may be at last picking up steam, which would normally tend to depress bond prices on fears of inflation. Friday, for example, brought forth a stronger than expected jump in October retail sales and signs of reviving consumer confidence.

Even so, growth next year is likely to be subdued at best – many forecasts are pitched around 2 per cent to 3 per cent – and the gloomy end of the economic spectrum insists that the vitality is a mirage. Mr Philip Braverman of DKB Securities, asserts: "The US economy not only remains mired in deep economic distress, it is still in recession."

The green shoots of economic growth visible over the past few weeks seem likely to encourage the Federal Reserve to leave monetary policy on hold, with the Fed funds rate at 3 per cent, when its policy-making Open Markets Committee meets tomorrow.

Wall Street does not rule out the possibility of the Fed easing once more before Christmas if the unemployment report for November, due out in early December, turns out very weak.

Diminishing hopes of easier short-term money, combined with the rally in long bonds, have helped to narrow somewhat the yawning yield differential between short and long term instruments. The 30-to-10 year spread narrowed to 76 basis points last week, while the 10-to-two year spread dropped to 230 basis points.

That could have further to go if the market keeps its nerve over President-elect Clinton, though many analysts see a yield of 7.5 on the long bond as a tough floor to break through in the short-term. However, sentiment, could be significantly affected by the governor's choice of treasury secretary.

Martin Dickson

FT/ISMA INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABBEY NATIONAL 9 3/4 94	200	105¼	-¼	4.97
ABN 9 1/8 94	200	106¾		4.98
AETNA LIFE & CAS 7 3/4 16	200	102½	-⅛	7.53
ALBERTA PROVINCE 8 5/8 96	750	107¾		6.35
ALBERTA PROVINCE 9 3/8 95	600	109⅝		5.65
AMERICAN EXPRESS ZERO 00	450	51½		8.56
AMERICAN GENERAL 9 3/4 95	100	109⅝		5.83
AMERICAN INTL 0 04	750	39⅝	+⅛	8.25
ASIAN DEV BANK 0 04	1000	40½	+⅛	7.96
ASIAN DEV BANK 8 96	100	105¼		6.35
AUSTRALIA 11 95	200	112¼	-⅛	5.71
AUSTRIA 7 3/4 97	200	105¼	+⅛	6.30
[illegible]				
SAS 10 1/8 95	150	108½	+⅛	6.92
SBAB 9 1/2 95	500	108⅛	+⅛	5.69
SBC FINANCE 7 3/4 96	200	105	-⅛	6.23
SEAGRAM CO 8 1/2 96	100	102⅞	-⅛	7.66
SEARS EURO TRUST 8 3/4 96	750	105⅝		6.95
SEARS O/S FIN 0 98	500	63⅞		8.35
SEARS ROEBUCK EURO 9 3/4 95	500	107⅝	-⅛	6.39
SNCF 7 1/4 94	175	103⅜		4.40
SNCF 9 1/2 98	150	112⅝	+⅛	6.69
STATE BK NSW 8 1/2 96	200	106⅝		6.38
STATOIL 7 5/8 98	200	102⅝	-½	5.19
SWEDEN 8 1/8 94	150	104⅞	-⅛	4.95
SWEDEN 9 1/4 98	250	111⅝	+⅛	6.67
[illegible]				

SWISS FRANC STRAIGHTS	Issued	Bid price	Chg on week	Yield
ASIAN DEV BANK 6 10	100	97		6.28
COUNCIL EUROPE 4 3/4 98	250	94		6.11
EIB 6 3/4 04	300	103¼	+⅛	6.31
ELEC DE FRANCE 7 1/4 06	100	106		6.55
FINLAND 7 1/4 99	300	104½	-⅛	6.42
GENERAL MOTORS 7 1/2 95	100	100⅝	+1	7.24
HYUNDAI MOTOR FIN 8 1/2 97	100	105		7.23
ICELAND 7 5/8 00	100	103⅜	-⅛	6.97
JAPAN DEV BK 5 1/2 94	100	99¾	-⅛	6.12
KOBE 6 3/8 01	240	102¼	+⅛	6.03
NEW ZEALAND 4 7/8 99	200	93¼	+⅛	6.21
QUEBEC HYDRO 5 08	100	79	-1	7.32
[illegible]				

STRAIGHT BONDS: Yield to redemption of the bid-price. Amount issued is expressed in millions of currency units.
FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon.
CONVERTIBLE BONDS: US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price.
WARRANTS: Equity warrant prem = exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price.

Closing prices on November 13

CIVIL ENGINEERING

£14m orders awarded to Lelliott

Two of London's most prestigious fitting out contracts, at 25 Berkeley Square and Carmelite, Victoria Embankment, have been won by **JOHN LELLIOTT CONSTRUCTION GROUP** as part of a total number of jobs worth £14m.

The £3.3m project at Carmelite, London EC4, concerns the fitting out of 68,500 sq ft of offices including conference and dining rooms, computer suite, library, cafe and full support facilities on five floors for city solicitors, Taylor Joynson Garrett.

Work involves partitioning, glazed screens, suspended ceilings and M & E installations including air conditioning. The project has commenced and is due for completion in February 1993.

This prime site, overlooking the Thames on 16 Victoria Embankment, was previously occupied by Associated Newspapers.

The Berkeley Square project involves the fitting out of 52,000 sq ft of office accommodation comprising lower ground and nine upper floors to provide corporate headquarters for Cadbury Schweppes.

John Lelliott has also been awarded the £1.7m refurbishment of Cannons leisure centre in Cousin Lane, London EC4 including yoga and aerobics studios, gymnasium, squash courts, swimming pools, relaxation area and offices.

Other contracts include an £800,000 extension to Robin Brook medical college, St Bartholomew's hospital, West Smithfield, London EC1; £460,000 external refenestration at Chartwell House, Victoria Circus shopping centre, Southend; £400,000 construction of Index shop for Littlewoods at St Nicholas shopping mall, Sutton and a £320,000 refurbishment in Holborn.

£65m North Sea oil project

AMEC has recently won £190m of new orders across three key areas of business: oil and gas, process and fine chemicals and construction.

Heading the list is a £65m award for the fabrication of a 9,000 tonne utilities module for Conoco Norway's Heidrun field development. The contract will be built at AMEC Offshore's Tyneside fabrication yard and is scheduled for delivery in July 1994.

Also signed is a major EPIC contract to undertake the engineering, procurement, fabrication, installation and offshore hook-up of the Excalibur, unmanned gas platform, for Mobil North Sea. Scheduled for completion in September 1994, the work will be undertaken jointly by AMEC Engineering, AMEC Offshore and AMEC Offshore Developments.

Also on the oil and gas side, AMEC Engineering, together with sister companies, Press Construction and James Scott, has been awarded a £5.6m management and construction contract to undertake shutdown work on BP's Grangemouth catalytic reformer project in Scotland.

At Canterbury, AMEC Building has been awarded an £8.5m contract to build crown and county courts for the Lord Chancellor's Department. With a contract duration of 88 weeks, the courthouse will contain seven courtrooms. In joint venture with BICC Group company Haden Young, the company has secured a £5.6m contract to build a pathology laboratory and mortuary at Manchester Royal Infirmary.

In Scotland, AMEC Construction Scotland has been awarded a contract, worth £6.3m, for Guinea Properties, to build the Callendar Square shopping centre in Falkirk.

AMEC Design and Management has won a contract from Rechem International which is undertaking a £9m programme to install a rotary kiln at the company's high temperature incineration plant at Pontypool.

In the USA, AMEC's joint company Morse Diesel International has picked up a £26m contract to build a state correction facility in Cook County.

Expanding exhibition centre

CROWN HOUSE ENGINEERING is creating the "ideal environment" for shows in a new hall complex being added to Birmingham's National Exhibition Centre.

The £44m complex of four halls and concourse will increase show space by an additional 33,000 sq metres.

The new halls, used seperately or interlinked, are expected to provide the perfect exhibition setting with greater flexibility for displays and stands, and improved quality of facilities.

Air conditioning and heating will be programmed to adjust automatically to the varying size of crowds.

The £13.8m contract, awarded by Laing Midlands, the main contractors, covers the design and installation of all heating, ventilation, air conditioning, and electrical services in the new complex.

Exhibitors can have every facility and service supplied direct to their stand in any desired location. Large service tunnels running below the new halls and interlinked, feed a grid system of channels to supply water, gas, air power, drainage, telephone and information technology to individual stands and displays.

The NEC's glass-domed atrium concourse is being extended to link with the new halls 9 to 12 and two new restaurants and a conference suite. The exhibition space will be boosted to a total of 155,000 sq metres on completion of the complex next summer, and 3,000 car parking spaces are being added, making a total capacity for 18,000 vehicles.

The new halls are scheduled to open with the International Print Show in September 1993.

New court buildings in Nottingham

HIGGS AND HILL MIDLANDS has been awarded a £19m contract by Nottinghamshire County Council for the construction of a magistrates court, an office block and a bridewell in central Nottingham. The project is due for completion in spring 1995.

The courthouse building will be five storeys high, comprising three towers around a central glazed atrium with a flat roofed single-storey court holding area and two-storey links to family courts and an office building. The gross floor area will be about 8,000 sq metres.

The three-storey office building will have a two-storey link to the adult courts and a bridge link to the car park.

The family courts building, also of three storeys, is linked to the adult courts and bridewell, a four-storey building of some 3,000 sq metres.

Water treatment works in Yorkshire

EDMUND NUTTALL has been awarded an £8m contract for the construction of balancing and settling reservoirs and pumping station at Elvington water treatment works near York for Yorkshire Water Services .

The project involves the construction of three HDPE (high density polyethylene) lined earth lagoons with concrete bases providing total storage of 615,000 cu metres, along with a 40 metre x 25 metre x 10 metre deep pumping station.

The works also include the provision of 1.6 kilometres of 1.4 metres diameter mild steel pipe, 750 metres of prestressed concrete pressure pipe up to 1.8 metres diameter, access roads and fencing. The storage and pumping facility will act as a short-term storage buffer to maintain supply of raw water to the treatment works in the event of pollution of the river Derwent from which water is abstracted.

Edmund Nuttall is an operating company of HBG, Hollandsche Beton Groep.

SAMSUNG ELECTRONICS CO., LTD

Notice to the holders of US$100,000,000 Global Depositary Receipts

NOTICE IS HEREBY GIVEN TO THE HOLDERS OF ABOVE GDS THAT: the Board of Directors Meeting of the Company, held on October 6, 1992, resolved to issue NEW SHARES under the following terms and conditions ,

1. Form of shares : common stocks in registered form
2. Number of shares to be issued : 4,239,234 Shares of common stock
3. Issuing method : according to the Regulation pertaining to Financial Management of Listed Corporations in Korea
4. Allocation of new shares :
   1) 20% of the new issues shall be allocated for the subscription by employees of the company according to the Law on fostering the Capital Market in Korea
   2) Remaining 80% of the new issues shall be allocated for subscription to shareholders registered on November 3, 1992 in the proportion of 0.0700529 share per one share
   Both the shareholders of common stocks and the shareholders of non voting preferred stocks are entitled to subscribe for new common stocks in proportion to their respective shareholdings
5. Record date : November 3, 1992
6. Subscription period : December 14, 1992 - December 15, 1992
7. Payment date : December 17, 1992
8. Others : Fractions of shares and unsubscribed shares shall be disposed according to the Resolution of Board of Directors Meeting.
   Allocation per share is subject to change if there are unsubscribed shares by employees of the company or conversion by the Convertible Bond holders
   GDS holders should contact the Depositary Bank for further information.

SAMSUNG

CAISSE AUTONOME DE REFINANCEMENT
USD 100,000,000-
T.V. 1990/1995

Bondholders are hereby informed that the rate applicable for the fifth period of interest has been fixed at 3,605 %. The coupon N°5 will be payable at the price of USD 1.822,53 on May 17th, 1993 representing 182 days of interest, covering the period from November 16th, 1992 to May 16th, 1993 inclusive.

The Reference Agent and the Principal Paying Agent
CREDIT LYONNAIS

Halifax Building Society
Floating Rate Loan Notes 1994

For the three month period from 13 November, 1992 to 15 February 1993 the Notes will bear interest at the rate of 7.225 per cent. per annum. The Coupon amounts will be £93.03 per £5,000 Note and £930.34 per £50,000 Note, payable on 15 February, 1993

Morgan Grenfell & Co. Limited
Agent Bank

PIRELLI FINANCIAL SERVICES COMPANY N.V.

NOTICE OF A MEETING

of the holders of the outstanding ECU 75,000,000 8 per cent. Guaranteed notes due 1993 of PIRELLI FINANCIAL SERVICES COMPANY N.V.

Unconditionally guaranteed by PIRELLI SOCIÉTÉ GÉNÉRALE S.A.

Notice is hereby given that a Meeting of the holders of the above Notes (the "Noteholders") convened by the Issuer will be held at **Barrington House, 59–67 Gresham Street, London EC2V 7JA, on 8th** December, 1992 at **12.30 pm** (London time) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an Extraordinary Resolution in accordance with the provisions of the Trust Deed (the "Trust Deed") dated 8th August 1988 made between the Issuer, Pirelli Société Générale as Guarantor and The Law Debenture Trust Corporation p.l.c. (the "Trustee") as trustee for the Noteholders.

Extraordinary Resolution

"That this Meeting of the holders of the outstanding ECU 75,000,000 8 per cent. Guaranteed Notes due 1993 (the 'Notes') of Pirelli Financial Services Company N.V. (the 'Issuer') constituted by the Trust Deed dated 18th August 1988 (the 'Trust Deed') made between the Issuer, Pirelli Société Générale S. A. as Guarantor and The Law Debenture Trust Corporation p.l.c. (the 'Trustee') as trustee for the holders of the Notes (the 'Noteholders') hereby:

(1) assents to the release of the guarantee of Pirelli Société Générale S. A. contained in the Trust Deed and the substitution for Pirelli Société Générale S. A. as the Guarantor in respect of the Notes by Pirelli SpA and agrees that Pirelli SpA shall become the 'Guarantor' for all purposes in respect of the Trust Deed, the Notes, the Coupons or otherwise;

(2) assents to the modification of the Terms and Conditions of the Notes as printed on the reverse of them and in the Second Schedule to the Trust Deed and the provisions of the Trust Deed as set out in the draft Supplemental Trust Deed in the form of the draft produced to this Meeting and for the purposes of identification signed by the Chairman of it (the 'Supplemental Trust Deed');

(3) authorizes and requests the Trustee to concur in the modifications referred to in paragraphs (1) and (2) of this Resolution and, in order to give effect to it, forthwith to execute the Supplemental Trust Deed with such amendments (if any) to it as the Trustee shall require; and

(4) sanctions every abrogation, modification, compromise or arrangement in respect of the rights of the Bondholders and the holders of the coupons relating to the Notes against the Issuer and Guarantor involved in or resulting from the modifications referred to in paragraphs (1) and (2) of this Resolution."

Background to the proposal

Under the terms of the Trust Deed dated 18th August 1988, Pirelli Société Générale S. A. has guaranteed all payments due under the Trust Deed and, together with the Issuer, has given various covenants and a negative pledge. Pirelli Société Générale S. A. is now wholly owned by Pirelli SpA which has decided to take over the responsibility for granting guarantees for the debts of its subsidiaries, a responsibility which previously had been delegated to Pirelli Société Générale S. A. In view of this decision, Pirelli S.p.A. has also decided to substitute itself as Guarantor for all existing debts previously guaranteed by Pirelli Société Générale S.A. It has therefore proposed the substitution of itself as the Guarantor of the Issuer's obligations under the Notes.

Pirelli SpA has certain existing secured debt and financial covenants and wishes therefore to amend the Terms and Conditions of the Notes and Trust Deed (including the negative pledge and financial covenants) relating to the Guarantor as explained in the Explanatory Memorandum dated 13th November 1992 referred to below.

The Issuer has accordingly convened a Meeting of the Noteholders by the above Notice to request their agreement by Extraordinary Resolution to the matters contained in such Extraordinary Resolution.

The Issuer considers that the proposed modifications contained in the Extraordinary Resolution set out above are fair and reasonable in the circumstances and, accordingly, the Issuer strongly urges all Noteholders to vote in favour of the Extraordinary Resolution.

The attention of Noteholders is particularly drawn to the quorum required for the Meeting and for an adjourned Meeting which is set out in paragraph 2 of "Voting and Quorum" below.

Copies of the Trust Deed (including the Terms and Conditions of the Notes) and the draft Supplemental Trust Deed referred to in the Extraordinary Resolution set out above will be available for inspection and copies of an Explanatory Memorandum which includes an explanation of the proposals and financial Information of Pirelli SpA, will be available for collection by Noteholders at the specified offices of the Paying Agents set out below.

In accordance with normal practice the Trustee expresses no opinion on the merits of the proposal and modifications but has authorized it to be stated that it has no objection to the Extraordinary Resolution being submitted to the Noteholders for their consideration.

Voting and Quorum

1. A Noteholder wishing to attend and vote at the Meeting in person must produce at the Meeting either the Note(s), or a valid voting certificate or valid voting certificates issued by a Paying Agent relating to the Note(s), in respect of which he wishes to vote.

A Noteholder not wishing to attend and vote at the Meeting in person may either deliver his Note(s) or voting certificate(s) to the person whom he wishes to attend on his behalf or give a voting instruction form (on a voting instruction form obtainable from the specified offices of the Paying Agents set out below) instructing a Paying Agent to appoint a proxy to attend and vote at the Meeting in accordance with his instructions.

Notes may be deposited with any Paying Agent or (to the satisfaction of such Paying Agent) held to its order or under its control by Cedel S. A. or the Operator of the Euro-clear System or any other person approved by it, for the purpose of obtaining voting certificates or appointing proxies, not later than 48 hours before the time appointed for holding the meeting (or, if applicable, an adjournment of such Meeting), giving voting instructions in respect of the relative Meeting. Notes so deposited or held will not be released until the earlier of the conclusion of the Meeting (or, if applicable, any adjournment of such Meeting) and the surrender of the voting certificate(s) or, not less than 48 hours before the time for which the Meeting (or, if applicable, any adjournment of such Meeting) is convened, the receipt(s) issued in respect thereof.

2. The quorum required at the Meeting is two or more persons present in person holding Notes or voting certificates or being proxies and holding or representing in the aggregate a clear majority in principal amount of the Notes for the time being outstanding (as defined in the Trust Deed). If within half an hour from the time fixed for the Meeting a quorum is not present the Meeting shall stand adjourned for such period, not being less than 14 days nor more than 42 days, and to such time and place, as may be appointed by the Chairman of the Meeting. At such adjourned Meeting the quorum shall be two or more persons present in person holding Notes or voting certificates or being proxies whatever the principal amount of the Notes so held or represented.

3. Every question submitted to the Meeting will be decided on a show of hands unless a poll is duly demanded by the Chairman of the Meeting or by one or more persons holding one or more Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-fiftieth in principal amount of the Notes for the time being outstanding. On a show of hands every person who is present in person and produces a Bond or voting certificate or is a proxy shall have one vote. On a poll every person who is so present shall have one vote in respect of each ECU 1,000 principal amount of Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

4. To be passed, the Extraordinary Resolution requires a majority in favour consisting of not less than three-quarters of the votes cast. If passed, the Extraordinary Resolution will be binding on all the Noteholders, whether or not present at such Meeting and whether or not voting, and upon all the holders of the coupons relating to the Notes.

Principal Paying Agent
Union Bank of Switzerland
Bahnhofstrasse 45
CH-8021 Zurich

Paying Agents

Union de Banques Suisses (Luxembourg) S. A.
36–38 Grand-Rue
L-2011 Luxembourg

Union Bank of Switzerland
100 Liverpool Street
London EC2M 2RH

Morgan Guaranty Trust Company of New York
Avenue des Arts 35
B-1040 Brussels

16th November, 1992 — Pirelli Financial Services Company N.V.

CONTINENTAL (BERMUDA) LIMITED
US$ 250,000,000
FLOATING RATE NOTES DUE 2006
GUARANTEED BY
HUNGARIAN FOREIGN TRADE BANK LTD

Notice is hereby given that as at the valuation date 11th November, 1992, the value of the zero-coupon obligations (or certificates representing interests in obligations) of the United States of America was US$ 89,907,500.00 and the value of the Company's reserve fund was US$ 59,137,965.78. The aggregate value of the Noteholders security was thus 59.62 percent of the principal amount of the Notes outstanding at the valuation date.

The determination and publication of these figures is solely for the convenience and information of the Noteholders and shall not be binding for any purpose on the Trustee or the Reserve Fund Manager or the Reserve Fund Reporting Agent nor shall it be taken as recommendation on the part of the Company, the Valuation Agent, the Guarantor, the Trustee, the Reserve Fund Manager or the Reserve Fund Reporting Agent to buy, sell or hold investments similar to the zero-coupon obligations of the United States of America or the Reserve Fund investments.

Valuation Agent, GiroCredit Bank Aktiengesellschaft der Sparkassen

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J.P. Morgan & Co. Incorporated

US$250,000,000
Subordinated floating rate notes due November 2002

In accordance with the provisions of the notes, notice is hereby given that for the interest period 16 November 1992 to 17 May 1993 the notes will carry an interest rate of 5.25% per annum. Interest payable on the relevant interest payment date 17 May 1993 will amount to US$132.71 per US$5,000 note and US$2,654.20 per US$100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

U.S. $100,000,000
DEN DANSKE BANK
(Den Danske Bank af 1871 Aktieselskab)
(Incorporated in the Kingdom of Denmark with limited liability)
Perpetual Subordinated Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the Interest Period from November 16, 1992 to May 17, 1993, the Notes will carry an Interest Rate of 5¼% per annum. The interest payable against Coupon No. 17 on the relevant interest payment date, May 17, 1993 will be U.S. $265.42

By: The Chase Manhattan Bank, N.A. London, Agent Bank
November 16, 1992 — CHASE

ALLIANCE + LEICESTER
Alliance & Leicester Building Society
£50,000,000
Subordinated Variable Rate Notes 1998

In accordance with the Terms and Conditions of the Notes, notice is hereby given that the Rate of Interest for the eighteenth Interest Period from 11th November, 1992, to 11th February, 1993, has been fixed at 7.9125% per annum. Interest payable on 11th February, 1993, will amount to £198.89 per £10,000 principal amount.

Bankers Trust Company, London Agent Bank

ALLIANCE + LEICESTER
Alliance & Leicester Building Society
£150,000,000
Floating Rate Notes due 1995

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 11th February, 1993 has been fixed at 7.26375% per annum. The interest accruing for such three month period will be £183.09 per £10,000 Bearer Note, and £1,830.86 per £100,000 Bearer Note, on 11th February, 1993 against presentation of Coupon No. 18.

Union Bank of Switzerland London Branch Agent Bank
11th November, 1992

BANQUE INDOSUEZ
US $150,000,000
Subordinated Floating Rate Notes due 1998

Notice is hereby given pursuant to the Terms and Conditions of the Notes that for the six month period from November 16th, 1992 to May 17th, 1993 the Notes will carry an interest rate of 4.3875% per annum.
On May 17th, 1993 interest of US $110,906.25 will be due per US $5,000,000 Note for Coupon No. 10.

Banque Indosuez Luxembourg S.A.
Fiscal and Agent Bank

ECU 350,000,000
Kingdom of Belgium
Floating Rate Notes due 1999
Issued in two tranches of
ECU 200,000,000 (1st tranche)
ECU 150,000,000 (2nd tranche)

For the period from November 16, 1992 to February 16, 1993 the Notes will carry an interest rate of 10⅛% per annum with an interest amount of ECU 2,571.58 per ECU 100,000 Note.
The relevant interest payment date will be February 16, 1993.

Agent Bank:
Banque Paribas Luxembourg Société Anonyme

RENFE
RED NACIONAL DE LOS FERROCARRILES ESPAÑOLES

US$500,000,000
Floating rate notes due 1998
Unconditionally guaranteed by THE KINGDOM OF SPAIN

In accordance with the provisions of the notes, notice is hereby given that for the six months interest period 16 November 1992 to 17 May 1993 the notes will carry an interest rate of 3.625% per annum. Interest payable on 17 May 1993 will amount to US$183.26 per US$10,000 note and US$1,832.60 per US$100,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

European Investment Bank
NLG 500,000,000
Floating Rate Bonds 1992 due May 15, 2002.

In accordance with the Terms and Conditions of the Bonds, notice is hereby given that for the Interest Period from November 16, 1992 to February 15, 1993 the Interest Rate has been fixed at 8.20 per cent.
The Interest Amounts, payable on February 15, 1993, will be:
for the denomination of NLG 10,000: NLG 207.28
for the denomination of NLG 100,000: NLG 2,072.78
for the denomination of NLG 1,000,000: NLG 20,727.78

Rabobank Nederland
Utrecht, the Netherlands
November 16, 1992

WORLD STOCK MARKETS

AUSTRIA [illegible]

BELGIUM/LUXEMBOURG [illegible]

DENMARK [illegible]

FINLAND [illegible]

FRANCE [illegible]

FRANCE (continued) [illegible]

GERMANY [illegible]

GERMANY (continued) [illegible]

ITALY [illegible]

NETHERLANDS [illegible]

NETHERLANDS (continued) [illegible]

NORWAY [illegible]

SPAIN [illegible]

SWEDEN [illegible]

SWEDEN (continued) [illegible]

SWITZERLAND [illegible]

SOUTH AFRICA [illegible]

AUSTRALIA [illegible]

AUSTRALIA (continued) [illegible]

HONG KONG [illegible]

MALAYSIA [illegible]

SINGAPORE [illegible]

JAPAN [illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. [illegible]

CANADA

TORONTO

4 pm close November 13

[illegible]

Total Sales 19,047,200 shares

MONTREAL

4 pm close November 13

[illegible]

INDICES

NEW YORK

DOW JONES	Nov 13	Nov 12	Nov 11	Nov 10	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3233.03	3239.79	3240.33	3225.47	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	101.96	102.08	102.15	102.03	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1378.70	1384.34	1381.72	1385.15	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.39	216.32	216.57	215.26	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl. Day's High 3252.48 (3264.91) Low 3211.69 (3214.39) (Theoretical)
Day's High 3239.79 (3249.24) Low 3224.12 (3230.87) (Actual)

STANDARD AND POOR'S	Nov 13	Nov 12	Nov 11	Nov 10	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	422.42	422.87	422.20	418.62	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	495.90	496.80	496.13	491.40	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	38.35	38.37	38.19	37.90	38.37 (12/11)	32.40 (8/4)	38.37 (12/11/92)	8.64 (1/10/74)
NYSE Composite	232.64	232.83	232.58	230.66	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	389.69	389.23	388.81	385.66	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	637.16	634.37	634.92	627.76	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Nov 6	Oct 30	Oct 23	year ago (approx.)
Dow Industrial Div. Yield	3.20	3.21	3.24	3.05

	Nov 11	Nov 4	Oct 28	year ago (approx.)
S & P Industrial div. yield	2.65	2.68	2.68	2.67
S & P Indl. P/E ratio	27.72	27.31	27.52	22.04

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Humana	5,102,900	20	- 3⅞
Breed Tech	4,007,900	20	—
Gen Motors	3,782,100	31⅛	+ ⅜
Diagnostek	3,376,600	7½	+ ½
Philip Morris	2,465,400	79½	+ ¼
Merck	2,310,300	45⅞	- ⅜
West Elec	2,156,000	12	- ½
Blockbuster	1,860,800	16½	+ ⅛
IBM	1,851,200	65⅛	+ 1
Union Tex	1,791,300	18⅛	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Nov 13	Nov 12	Nov 11
New York SE	192.320	224.580	240.160
Amex	13.106	15.472	18.696
NASDAQ	(u)	259.463	262.157
NYSE			
Issues Traded	2,360	2,351	2,361
Rises	923	905	1,189
Falls	843	864	644
Unchanged	594	582	528
New Highs	74	93	116
New Lows	26	32	29

CANADA

TORONTO	Nov 13	Nov 12	Nov 11	Nov 10	1992 HIGH	1992 LOW
Metals & Minerals	2589.46	2624.54	2661.24	2658.59	3238.87 (16/1)	2589.46 (13/11)
Composite	3269.53	3283.78	3286.40	3277.20	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1732.61	1742.01	1739.63	1731.83	1937.59 (16/1)	1663.16 (14/10)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ◆ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Nov 13	Nov 12	Nov 11	Nov 10	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1371.7	1375.3	1394.5	1397.6	1684.50 (22/5)	1371.70 (13/11)
All Mining (1/1/80)	555.3	559.4	575.3	581.9	726.80 (3/7)	555.30 (13/11)
AUSTRIA						
Credit Aktien (30/12/84)	315.34	314.33	314.74	317.33	458.57 (24/2)	291.41 (13/8)
Traded Index (2/1/91)	761.46	758.27	757.87	763.21	1099.43 (24/2)	682.96 (13/8)
BELGIUM						
BEL20 (1/1/91)	1138.53	1142.83	(c)	1135.38	1235.40 (2/6)	1046.07 (2/9)
DENMARK						
Copenhagen SE (3/1/83)	273.14	269.21	262.02	258.83	365.29 (15/1)	250.42 (28/10)
FINLAND						
HEX General (28/12/90)	793.6	812.7	822.8	813.5	935.90 (24/2)	541.80 (7/9)
FRANCE						
CAC General (31/12/81)	477.44	478.06	(c)	472.19	555.93 (12/5)	441.70 (7/10)
CAC 40 (31/12/87)	1796.80	1821.51	(c)	1798.46	2077.49 (11/5)	1611.04 (5/10)
GERMANY						
FAZ Aktien (31/12/58)	609.76	602.74	597.53	595.03	725.26 (26/5)	565.61 (12/10)
Commerzbank (1/12/53)	1727.1	1706.3	1691.4	1684.2	2043.80 (25/5)	1594.60 (12/10)
DAX (30/12/87)	1540.52	1536.37	1512.21	1519.06	1811.57 (25/5)	1420.30 (5/10)
HONG KONG						
Hang Seng Bank (31/7/64)	6366.56	6447.11	6422.03	6273.08	6447.11 (12/11)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1112.90	1121.98	1121.86	1110.10	1469.57 (17/1)	1094.88 (19/10)
ITALY						
Banca Com. Ital. (1972)	460.96	448.19	449.99	451.04	551.59 (6/2)	354.93 (16/9)
MIB General (2/1/92)	909.0	883.0	887.0	889.0	1086.00 (5/2)	696.00 (16/9)
JAPAN						
Nikkei (16/5/49)	16330.79	16376.93	16318.15	16437.11	23801.18 (6/1)	14309.41 (18/8)
Tokyo SE (Topix) (4/1/68)	1242.24	1246.88	1248.33	1255.06	1763.43 (6/1)	1102.50 (18/8)
2nd Section (4/1/68)	1606.15	1609.39	1620.46	1629.01	2459.85 (6/1)	1502.77 (19/8)
MALAYSIA						
KLSE Composite (4/4/86)	650.62	652.23	646.80	645.32	668.35 (5/11)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	289.2	290.5	287.3	288.8	314.90 (9/6)	274.00 (8/1)
CBS All Shr (End 1983)	194.7	195.6	193.4	194.4	215.50 (26/5)	189.70 (25/8)
NORWAY						
Oslo SE (Ind) (2/1/83)	596.90	606.83	600.17	603.96	772.74 (18/5)	532.43 (25/8)
PHILIPPINES						
Manila Comp (2/1/85)	1346.92	1340.99	1335.29	1337.17	1580.95 (11/6)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	379.58	378.55	379.65	378.27	416.99 (21/1)	351.41 (21/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	777.0♥	768.0	764.0	746.0	1327.00 (21/1)	746.00 (10/11)
JSE Industrial (28/9/78)	4072.0♥	4063.0	4032.0	4011.0	4689.00 (4/6)	3936.00 (19/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	652.97	636.99	658.96	676.86	691.48 (8/2)	459.07 (21/8)
SPAIN						
Madrid SE (30/12/85)	202.66	200.37	198.12	199.23	266.51 (28/2)	179.48 (5/10)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	720.8	714.5	722.6	737.2	1014.50 (11/5)	639.00 (5/10)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	857.1	865.2	863.8	868.5	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	643.3	648.9	647.2	651.3	682.30 (11/5)	596.40 (26/8)
TAIWAN**						
Weighted Price (30/6/66)	3985.51	(c)	3570.89	3534.53	5391.63 (30/1)	3351.63 (26/9)
THAILAND						
Bangkok SET (30/4/75)	909.24	914.88	937.12	926.52	963.03 (5/11)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	484.5*	484.2	482.8	481.0	542.10 (7/1)	467.50 (30/10)
Euro Top-100 (26/6/90)	842.63	845.31	836.65	843.18	976.55 (25/5)	772.52 (5/10)

**Saturday November 7: Taiwan Weighted Price: 3,535.78, Korea Comp Ex. 664.35.
♥ Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX—1,000, JSE Gold—255.7, JSE 26 Industrials—264.3 and Australia All Ordinary and Mining—500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday, November 13, 1992

	Stocks Traded	Closing Prices	Change on day
Green Cross	3.7m	1,300	+20
Mitsubishi Heavy	3.1m	497	-4
Toshiba	2.9m	626	+3
Okamoto	2.7m	864	-5
Mitsui Kakok	2.7m	1,040	-60
Hitachi	2.6m	706	-7
Mitsubishi Elec	2.5m	446	+6
Hitachi Zosen	2.4m	406	-9
Meiji Milk	2.3m	890	+23
Matsushita E	2.3m	1,070	-20

هكذا صدر الأصل

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Grofund American	5	146.5	148.1xd	155.9	0.00	40591
AIB Grofund Equity	5	191.5	194.0	205.3	1.87	40593
AIB Grofund Euro	5	143.7	145.9	153.5	0.85	40594
AIB Grofund Euro Balanced	3	96.68	97.28	100.3	0.00	–
AIB Grofund Gilt	3	75.74	75.76	78.11	5.07	40595
AIB Grofund Japan	5	118.6	119.9xd	126.2	0.00	40596

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corporation St, Coventry 0203 553231

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
General Inc	5	379.9	382.0	406.4	3.16	40401
General Acc	5	413.7	416.0	442.6	3.16	41578
UK Growth Acc	6	279.0	283.5xd	301.6	3.56	40392
UK Growth Inc	6	200.1	203.4xd	216.4	3.56	40393
Higher Inc Acc	6	482.2	490.8xd	522.2	4.94	40394
Higher Inc Inc	6	297.3	302.6xd	322.0	4.94	40395
Gilts/F'xd Int Acc	5½	168.9	168.9	178.4	6.83	40396
Gilts/F'xd Int Inc	5½	91.00	91.00	96.12	6.83	40397
Nth America	6	240.3	245.2xd	260.9	0.00	40398
Far East	6	230.8	230.8xd	245.6	0.30	40399
Europe	6	200.0	200.0	212.8	0.70	40400
Brit Excell	6	57.02	57.02xd	60.66	3.73	40402
Brit Fndmtls Acc	6	74.62	74.62	79.39	5.72	40405
Brit Fndmtls Inc	6	58.57	58.57	62.31	5.72	40404
Global Opps	6	60.15	60.65xd	64.53	0.00	40680

Abbey Unit Tst Mngrs (1000)H

Britannia Life Unit Managers Ltd (1200)F
190 West George St, Glasgow G2 2PA 041-332 3132

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Balanced Growth	6	81.23	82.31xd	88.03	2.40	40427
Do (Accum)	6	88.69	89.87	96.12	2.40	40428
Smaller Cos	6	59.90	59.90xd	64.06	2.61	40033
Do (Accum)	6	64.77	64.77	69.27	2.61	40034
Higher Yield	6	32.64	33.06xd	35.36	5.57	40429
Do (Accum)	6	44.12	44.70	47.80	5.57	40430
American Gth Inc	6	47.02	47.24	50.52	0.16	40423
Do (Accum)	6	47.92	48.14	51.48	0.16	40424
European Growth	6	87.96	87.96xd	94.07	2.09	40019
Do (Accum)	6	88.77	88.77	94.95	2.09	–
Global Bond Inc	6	27.17	27.18	28.83	5.11	40695
Do (Accum)	6	33.38	33.39	35.43	5.11	40696
Managed P'folio Inc	6	28.84	28.92xd	30.93	0.00	40147
(Do Accum)	6	28.92	29.00	31.02	0.00	40142
Pacific Growth Accum	6	77.06	77.82	83.23	1.03	40325
Intl Spec Opps Accum	6	68.58	69.51	74.34	1.89	40530

Brown Shipley & Co Ltd (1000)F
9-17 Perrymount Rd Haywards Hth 0444 412262

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Mngd P'folio Inc	6	77.99	77.99	83.06	2.50	40186
Mngd P'folio Acc	6	146.0	146.0	155.5	–	40187
UK General	6	123.1	123.1xd	131.1	3.87	40188
Conv & General	6	16.39	16.39	17.46	8.84	40190
European Inc	6	20.95	20.95xd	22.60	0.50	40191
European Acc	6	21.64	21.64	23.34	–	40192
Financial	6	93.84	93.84	99.94	4.45	40194
Foundation	6	60.61	62.42xd	66.48	4.22	40534
German	6	37.88	37.88xd	40.61	0.10	40195
Growth Inc †(5-1)	5	25.67	25.71xd	27.38	3.38	41583
Growth Acc †(5-1)	5	30.12	30.17	32.13	–	40220
High Income	6	62.74	62.97	68.01	6.91	40196
Income	6	102.77	104.20xd	112.30	5.17	40197
Intl Income	6	82.28	82.28	87.43	5.90	40199
Intl Growth ‡	6	29.77	29.77xd	31.71	0.25	40198
Monthly Income	6	56.19	58.26	62.05	5.43	40512
North American	6	93.66	93.66	99.75	0.22	40199
Orient ‡	6	87.37	87.37	93.95	–	40200

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010, Enq: 0903 204631

Unit Name	Init Chrge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
High Income	5	229.3	233.4xd	248.2	5.88	40887
(Accum Units)	5	390.6	397.7	423.0	5.88	40928
UK Growth	5	295.6	298.0xd	317.0	3.42	40888
(Accum Units)	5	368.0	371.2	394.8	3.42	40919
Int Equity Gth ‡	5	53.71	53.81xd	57.24	1.12	40889
Intl Bond	5	63.53	63.53xd	66.72	6.29	40890
Special Sits Gwth	5	15.16	15.61	16.60	3.64	40891
North American Gwth	5	84.66	84.87	90.28	0.96	40892
European Growth ‡	6	55.58	55.80xd	59.36	1.15	40894

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

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OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

Prolific Life & Pensions Ltd
Stramongate, Kendall, Cumbria LA9 4UB 0539 733733
Managed Fund see Balanced Growth Managed Fund

Life Funds	Bid Price	Offer Price	Yield Gross	City-line
Balanced Grth Mngd	616.3	655.7	-	43315
Adventurous Mngd	148.4	157.9	-	46402
Cautious Mngd.	119.7	127.4	-	46405
Cash Fd	313.5	330.4	-	43316
Property Fund	217.5	231.4	-	43317
Equity Fund	709.3	754.6	-	43318
Fxd. Int. Fund	391.6	412.7	-	43319
International	319.3	339.7	-	43320
High Income	530.9	564.8	-	43321
Far East	425.5	452.7	-	43322
North American	412.4	438.8	-	43323
Special Sits	489.3	520.6	-	43324
Technology	410.3	436.5	-	43325
Extra Inc Fd	290.7	309.3	-	43326
Convertible & Gilt Fd	141.6	150.7	-	43327
American Income	166.0	176.7	-	43328
Gilt Fund 20	440.1	468.2	-	43329
European Fund	114.7	122.1	-	43330
Pref & Fixed Int.	108.5	115.9	-	46332
UK Blue Chip	110.3	116.3	-	47044
Recovery Fund	101.8	107.3	-	47056
Equity Income Dist.	98.5	104.8	5.02	47816
Managed Dist.	94.5	100.6	5.39	47817
High Yield Dist	100.9	106.4	7.71	44422

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

FT MANAGED FUNDS SERVICE

● Unit Trust prices are available from FT Cityline, call 0891 43 + the five-digit code listed after the unit trusts. Calls charged at 36p/minute cheap rate and 48p/minute at all other times.

	Bid Price	Offer Price	Yield Gross	City-line
IBI Global Funds Limited				
Intl Stlg Gwth	£20 46	21.56	-	45289
Intl $US Gwth	$17 62	18.55	-	45290
High Income Gilt	£26 34	27.30	-	45291
International Equity	£20.52	21.61	-	45292
International Bond	£22 81	23.65	-	45293
Managed Currency	£27 71	28 00	-	45294
Sterling Currency	£26 34	26 62	-	46030
US$ Currency	$37 70	38 09	-	46031
Irish £ Currency	I£15 06	19 22	-	46029
R & H Fund Managers Ltd				
LFM Sterling Fd	£11 10	11 58	-	44455
B F Offshore Inc Fd Ltd	£11 58	12 19	-	46580
Target International (Isle of Man) Ltd				
IBC Offshore Fd	£9 10	9 80	-	46490
Nelson Wilms W/W 5/5	£8.79	9 16	-	46581

JERSEY (SIB RECOGNISED)

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey						0534 36633
AIB Currency Funds Ltd						
Intl Managed Bond	5	I£-	20 8010	20.8086	-	47337
Managed Capital Bd	5	I£-	20.9381	20.9432	-	47754
AIB Grofund Currency Fund Limited						
Stlg Mngd Currency	5	£-	10 9054		-	44685
Sterling Currency Fd	5	£-	10.4914		-	44683
Ecu Currency	5	Ecu-	10 6974		-	46662
US Dollar Mngd Curr	5	$-	21.4521		-	47336

	Bid Price	Offer Price	Yield Gross	City-line
Lloyds Bank Trust Co (CI) Mngrs				
Lloyds Worldwide Port.	£2 503	2.629xd	1.25	-
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£10 00	10.05	9.36	45030
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Nov 12	$13.10	13.37xd	2.99	45476
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	53 7	56.0xd	7.97	45546
UK Equity Fd (z)	211.5	225 0	2.84	45547
*Intl Bond Fd.	100 8	104.0	-	45548
*Sterling Mngd Asset Fd.	540.2	569 0	5 00	47700
*Sub. day every Thurs.				
NatWest TrustCur Currency Fund (a)				
Dollar Class	$38.0733		-	45550
Sterling Class	£26 7919		-	45551
D-Mark Class	DM83 0147		-	45552
Dutch Guilder Class	Dfl82 5265		-	45553
Japanese Yen Class	Y7943.1296		-	45554
Ashburton Replica Portfolio Ltd				
Ashburton Replica P'folio Ltd £	11 22	11.68	-	47755
Ashburton Replica P'folio Ltd $	$10.26	10 66	-	47756
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Nov 12	$35.22	37.45	-	45567
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd.	$3.6222	3 8494	-	45591
Offshore Japanese Gwth Fd	$0 8673	0.9217	-	47690
Offshore Am Gwth Fd.	$4.2107	4.4087	-	45592
Offshore Emerging Cos.	$3 5089	3 7290	-	45593
Offshore European Fd.	$1.4545	1.5457	-	45594
Offshore Far Eastn Fd.	$2.2085	2.3470	-	45595
Offshore UK Growth Fd.	$1.7020	1.8088	-	45596
The Portugal Fund Limited				

Cresvale Group (a)

11 Rue Aldringen, L-1118 Luxembourg

DB Investment Management SA

2 Boulevard Konrad Adenauer, L

Den norske Bank

11 Rue Aldringen 2960 - Lux

Disa Income Fund

68 Blvd Petrusse, L 2320, Luxembourg

Dresdnerbank Asset Mngmt SA (u)

13 Rue Beaumont, L-1219 Luxembourg

Eagle Star – Global Assets Fund (u)

5 Rue Aldringen L-1118 Luxembourg

Dealing UK: 0624 661100

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

مكتبة الأصل

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGE AND MONEY MARKETS

Dollar rise checked

DEALERS will focus on US and German economic data this week, as they try to work out whether short-term interest rates in both countries will converge, *writes James Blitz.*

Since the US presidential election, the market has been divided over whether the dollar can break through the DM1.60 level before the end of the year. Those who felt that it would have started to revise their views in recent days.

UK clearing bank base lending rate
7 per cent
from 13 November 1992

On Friday, the US currency suffered a sharp set back, falling nearly 3 pfennigs against the D-Mark in European trading, and closing at DM1.5660.

One reason for the downward move is that the market is coming to believe that there will be no further easing in official German rates this year.

The Bundesbank is unwilling to ease policy because of inflationary pressures. Friday's rise in October retail sales by 0.9 per cent has given the central bank a further reason not to change view.

Both the October producer prices figure due out today and the figure for M3 money supply growth, due out on Thursday, will give clearer indications of inflationary pressures in the economy.

The dollar could retrace its steps because of continuing sluggish growth in the US economy.

Last Friday's indicators did show some signs of an economic recovery. But some analysts suggested that they were "dollar-negative," because a recovery would give President-elect Bill Clinton a reason to scale back the size of his fiscal stimulus, implying no tightening of US monetary policy.

It will be interesting to see how the market responds to today's industrial production figures for October, to the September trade balance due on Wednesday, and to the October housing starts, which are due the following day.

£ IN NEW YORK

Nov.13	Close	Previous Close
£ Spot	1.5500-1.5510	1.5280 1.5290
1 month	0.54-0.52pm	0.52 0.49pm
3 months	1.31-1.28pm	1.29 1.26pm
12 months	3.70-3.60pm	3.50 3.40pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

OTHER CURRENCIES

Nov 13	£	$
Argentina	1.5440 - 1.5465	0.9900 - 0.9910
Australia	2.2230 - 2.2250	1.4415 - 1.4425
Brazil	13548.6 - 13557.7	8775.00 - 8775.20
Finland	7.6555 - 7.6940	4.9550 - 4.9650
Greece	309.100 - 315.300	201.900 - 205.940
Hong Kong	11.9310 - 11.9475	7.7310 - 7.7320
Iran	2230.00*	1450.00*
Korea(Sth)	1186.65 - 1205.80	779.00 - 785.20
Kuwait	0.46000 - 0.46100	0.29750 - 0.29800
Luxembourg	50.05 - 50.15	32.30 - 32.40
Malaysia	3.8835 - 3.8950	2.5180 - 2.5200

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EXCHANGE CROSS RATES

EURO-CURRENCY INTEREST RATES

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

CURRENCY RATES

CURRENCY MOVEMENTS

CHICAGO

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGES IN WORLD INTEREST RATES

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Crd: Frequency at which interest is credited to the account.

STOCK INDICES

	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9	Nov 6	1992 High	1992 Low	Since Compilation High	Since Compilation Low
FT-SE 100	2697.5	2726.4	2696.8	2714.6	2695.4	2702.7	2737.8	2281.0	2737.8	986.9
FT-SE Mid 250	2608.9	2616.6	2590.5	2593.3	2580.4	2579.0	2825.8	2157.8	2825.8	1379.4
FT-SE-A 350	1305.4	1317.4	1303.3	1310.5	1301.7	1304.4	1342.7	1103.1	1342.7	664.5
FT-A All-Share	1280.40	1291.80	1278.13	1284.89	1276.44	1279.06	1326.36	1098.13	1326.36	61.92
FT-SE Eurotrack 100	1059.26	1059.91	1045.16	1054.50	1043.29	1038.28	1200.27	937.42	1200.27	900.45
FT-SE Eurotrack 200	1114.93	1120.88	1106.98	1117.70	1108.00	1111.70	1248.79	1010.09	1248.79	938.62
FT Ordinary	2021.8	2027.3	2003.0	2016.5	1996.4	2005.4	2149.7	1670.0	2149.7	49.4
FT Government Secs.	94.98	95.34	95.54	95.46	95.39	95.01	95.54	85.11	127.40	49.18
FT Fixed Interest	110.08	110.26	110.09	109.97	109.66	109.14	110.26	97.15	110.26	50.53
FT Gold Mines	67.1	67.5	66.8	65.2	69.3	71.1	160.6	65.0	734.7	43.5

LONDON SHARE SERVICE

BRITISH FUNDS

BRITISH FUNDS - Cont.

OTHER FIXED INTEREST

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood. Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	W'k% change	Div gross	Dividends paid	Last xd	City line
Abbott Labs	h	19½ xd	6.1	68c	FeMyAuNv	8.10	1503
♥Allegheny & W		438p	-3.5	30c	–	–	–
Amdahl		628p	-4.9	10c	NvMrJaAu	31.1	–
Amer Cyanamid		36	-4.3	$1.65	MrJeSeDe	4.8	–
Amer Express		14¼ xd	3.9	$1.00	FeMyAuNv	28.9	1594
Amer T & T		28xd	3.7	$1.32	FeMyAuNv	25.9	1597
Ameritech		41⅛	-2.9	$3.52	FeMyAuNv	28.9	–
BankAmerica		28 xd	2.5	$1.36	FeJeSeDe	18.8	1744
Bankers NY		43⅛ xd	2.4	$2.00	ApJyOcJa	24.8	1745
Bell Atlantic		29	-3.3	$2.60	FeMyAuNv	4.7	–
BellSouth		30½	-5.8	$2.76	FeMyAuNv	5.4	–
♥Bethlehem Steel		9⅛ xd	4.3	–	MrJeSeDe	8.2	1821
Bowater		1427pxd	5.1	$1.20	OcJaApJy	8.3	1884
CPC	h	32¼ xd	2.7	$1.36	JaApJyOc	25.9	2263
♥Cadiz Land Inc		129p	–	–	–	–	–
California Engy		920p	0.4	–	–	–	–
Chase Manhattan		16⅞ xd	8.0	$1.20	FeMyAuNv	28.10	2109
Chrysler		18⅛ xd	4.3	60c	ApJyOcDe	9.9	2135
Citicorp		12⅛ xd	10.9	–	–	28.10	2141
Colgate-Palm		38¼ xd	5.7	$1.24	FeMyAuNv	22.7	2184
Cont'l Bank		1240p	5.9	60c	DeMrJeSe	31.8	–
Dana		27⅝ xd	-1.3	$1.60	MrJeSeDe	27.8	2306
Data General		684p	-6.4	–	–	–	–
♥Decora Inds		146p	–	–	–	–	–
Dun & Brad		38⅛	2.0	$2.28	MrJeSeDe	13.2	–
Eaton		46	-3.4	$2.20	FeMyAuNv	2.2	2410
Echlin		13⅛ xd	3.4	76c	JaApJyOc	30.9	3048
FPL		23⅛ xd	0.5	$2.44	MrJeSeDe	25.8	–
Fluor		28½ xd	-3.8	48c	JaApJyOc	24.9	2609
Ford Motor		25⅞ xd	0.7	$1.60	MrJeSeDe	27.10	2615
Gen Elect		51⅞ xd	1.2	$2.36	JaApJyOc	22.9	2675
♥General Host		578p	1.8	34c	–	13.12	–
Gillette		39¼ xd	4.3	72c	MrJeSeDe	28.10	2695

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Dividend covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ψ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend.
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend.
h Assumed dividend after scrip issue.
m Interim higher than previous total.
n Rights issue pending.
q Earnings based on preliminary figures.
s Dividend excludes a special payment.
t Indicated dividend: cover relates to previous dividend.
u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.
v Not subject to ACT.
z Dividend includes a special payment: Cover does not apply to special payment.
E Auction basis
F Dividend based on prospectus or other official estimates for 1994-95.
G Assumed dividend after pending scrip and/ or rights issue.
H Dividend based on prospectus or other official estimates for 1993.
K Dividend based on prospectus or other official estimates for 1992-93
L Estimated annualised dividend, cover based on latest annual earnings.
M Dividend based on prospectus or other official estimates for 1993-94.
N Dividend based on prospectus or other official estimates for 1992.
P Figures based on prospectus or other official estimates for 1994.
Q Gross.
R Forecast annualised dividend, cover based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend total to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: Additions: Wiltshire Brewery (Brewers & Distillers), Chubb Security (Business Servs) and Ptarmigan (Electronics). Deletions: Ward Group (Building Mtls) and Brit. Assets 6pc ULS '95 (Inv Trusts).

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4 pm close November 13

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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[illegible]

- E -

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- F -

[illegible]

- G -

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- H -

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- J -

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- K -

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- M -

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- P - Q -

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- R -

[illegible]

- S -

[illegible]

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NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
36¼	26¾	Salomoninc	0.64	1.7	13	5581	36⅞	36⅛	36⅞	+⅝
26	21¼	SanDgo G&E	1.44	6.1	14	812	23⅝	23⅜	23⅝	
4⅞	2⅞	SantaFeEDu	0.40	10.3	64	10	4	3⅞	3⅞	-⅛
9⅞	7	SanteFeERs	0.16	1.9	850	633	8¾	8½	8½	-¼
37¼	30¾	SantaFePac	2.80	7.6	13	103	37¼	36⅞	36⅞	-⅛
14⅛	10⅝	SantaFeSth v	0.10	0.8	33	1687	13¼	13	13¼	+⅛
60⅛	46⅝	Sara Lee	1.16	1.9	23	2381	u60⅞	59⅛	60⅝	+1¼
9½	1¼	Savin			0	4	1⅝	1½	1½	
44⅞	38⅝	Scana Corp	2.68	6.7	13	1314	40⅞	40⅛	40¼	-⅛
47⅝	40¼	Scecorp	2.80	6.4	13	1286	43⅞	43⅝	43⅞	+⅛
68	49⅞	ScheringPl x	1.56	2.4	18	5161	65⅝	64⅛	64¼	-⅝
70⅝	52¼	Sch'berger	1.20	2.0	17	9145	62½	60½	60½	-2⅛
37⅞	18⅝	Schwab(C)	0.24	1.0	13	1891	24⅝	24⅛	24½	
10⅞	4½	Schwitzer			57	8	6⅞	6⅞	6⅞	
34¾	15⅛	ScientAtln	0.16	0.5	38	885	34	33⅝	33⅞	-⅛
10⅞	7⅛	Scotman	0.10	1.1	75	32	9⅛	9	9	
46	34½	ScottPaper	0.80	2.2	75	584	37¼	36⅞	37	-⅛
17½	13½	ScudrNAsF	0.22	1.5		61	14⅞	14⅝	14⅝	-⅛
9¾	8	ScuddrNEuF	0.30	3.8		175	8¼	d8	8	
24	13	Sea Conta x	0.46	3.5	8	6	13½	13¼	13½	+⅛
16¾	14⅞	SeaC1 4625	1.48	9.6		z100	15¼	15¼	15¼	
31	25⅛	Seagram Co	0.58	2.1	13	2300	28⅜	28⅛	28⅛	-⅛
32	21⅞	Seagull En			82	44	30⅝	30⅜	30⅝	+⅛
28½	20½	Sealed Air			22	315	23⅛	23⅛	23⅛	+⅛
23	12⅛	SPX Corp	0.40	2.0	15	57	20½	20¼	20½	+⅛
46	37	Sears Roeb	2.00	4.6	37	3648	43¾	43⅛	43⅛	-⅝
13⅛	11⅞	Seligm Sel	0.84	6.9		79	12⅛	12	12⅛	+⅛
31¼	22½	Sensormat	0.30	1.0	24	433	29	28¼	29	+½
51	33¾	Sequa A	0.60	1.6	36	44	37¼	36½	37	-½

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1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10⅛	8¼	TempltGlob	0.83	9.8						
8¾	8½	TempltGFd x	0.84	9.8						
46	31¼	Tennecolnc	1.60	4.6						
23⅞	19½	Teppco Pa	2.20	10.2						
20⅜	10	Teradyne								
18½	6⅝	Terex	0.06	0.6						
5¾	4¼	Terra Inds								
6⅝	2½	Tesoro Pet								
68⅞	56¼	Texaco	3.20	5.4						
54½	52	Texaco C	3.75	7.1						
25¼	19¼	Texas Ind	0.20	0.9						
52¼	30	Texas Inst	0.72	1.4						
23¼	17	Texas Pac	0.40	2.4						
43¾	37	Texas Util	3.04	7.3						
10⅞	9⅞	Textl Pf	1.10	10.5						
9¼	4⅞	Textl Inds	1.10	16.6						
39⅞	33⅝	Textron	1.12	2.9						
6⅛	4¼	Thackeray								
11½	7½	Thai Cap	0.25	2.3						
19⅝	13¾	Thai Fund	2.72	14.5						
47½	37½	ThermoElec	0.13	0.3						
17¼	13¼	Thiokol	0.40	2.6						
69	54⅜	Thomas & B	2.24	3.4						
14⅛	8⅞	Thomas Ind	0.40	4.5						
19½	15	Thomson Ad	1.28	7.6						
21	11⅞	Tidewater	0.15	0.8						
82⅞	23	Tiffany	0.28	1.0						
62¾	45¼	TimeWn8.75	4.38	9.0						
29¼	21¾	TimeWner	0.28	1.0						

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1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
82¼	66½	Xerox	3.00	3.9	16	672	76⅞	76⅛	76⅞	+¼
56	50½	Xerox4.125				5	54	54	53	-1
34½	24⅞	Xtra 1.94	1.94	5.8		20	33½	33¼	33¼	-½
47½	28½	Xtra Corp	0.80	1.7	13	35	46½	46	46	-⅛
30⅝	25¼	Yankee Egy	1.68	6.3	12	111	26⅞	26½	26½	-⅜
1½	½	Zapata			23	71	13/16	⅞	13/16	+1/16
11⅛	5	ZenithElec			1	665	5½	5⅜	5⅜	
19½	14½	Zenith Nat	1.00	5.9	8	278	17	16⅞	16⅞	-⅛
7½	5	Zenix Inc	0.83	12.3		93	6⅞	6⅝	6⅞	+⅛
13⅛	10	Zero Corp x	0.40	3.0	20	117	13¼	13	13¼	+⅛
38	27⅛	Zurn Ind	0.86	2.3	42	289	37½	36¾	37½	+⅞
14⅛	12	Zweig Fund	1.12	8.8		109	12⅞	12¾	12¾	-⅛
11	9½	Zweig Tot x	0.96	9.6		633	10	9⅞	10	+⅛

Price data supplied by Telekurs.

Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close November 13

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Olsten x	0.32	28	111	35⅛	33⅝	33⅞	+⅛
Pegasus G	0.10	29	1883	13⅞	13½	13⅜	+⅛
Perini	0.80	15	114	u17	16	16⅛	
Pet HiAP	1.14	12	4	15½	15⅜	15⅜	
Phil LD	0.26	16	267	38⅝	38¼	38½	-⅛
Pittway A	1.10	17	79	u32⅞	32⅜	32⅞	+⅜
Ply Gem x	0.12	19	5	10	9⅞	9⅞	-⅛
PMC	0.88	15	30	11⅞	11¼	11¼	

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NASDAQ NATIONAL MARKET

4 pm close November 13

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MONDAY INTERVIEW

Monarch in a race with time

King Hussein of Jordan speaks to **Hugh Carnegy** and **Mark Nicholson**

'I believe that Jordan can be an example'

Seldom in the 40 turbulent years of his rule has King Hussein of Jordan, who turned 57 on Saturday, been more popular with his people, more confident in his political touch or more dominant in his small kingdom's affairs.

Yet, for precisely these reasons, seldom in recent times have the Hashemite kingdom's 4m Jordanian and Palestinian people looked with more trepidation towards their country's future. Since it became known in August that their monarch was suffering from cancer, Jordanians have faced with concern the prospect of losing the man who has ruled them since assuming the throne, a boy-king of 16, in 1952.

A measure of King Hussein's popularity, and of the fears raised by intimations of his mortality, was his homecoming in September after cancer surgery in the US.

Hundreds of thousands swamped Amman's streets to greet him, turning the 10-minute drive from Marqa airbase to the palace into a crawling 3¼-hour tour. Cheering crowds prompted the king to abandon the passenger seat of the silver Mercedes chauffeured by Crown Prince Hassan, his brother and heir, and perch on the car's bonnet, without a security guard in sight.

Few, if any, Middle Eastern leaders would dare appear so vulnerable in public – nor indeed would King Hussein have done so until perhaps this year. Few, certainly, could draw such crowds unbidden.

But since the Gulf war in early 1991 when he ignored international opprobrium to voice his subjects' condemnation of the west's action against their Arab neighbours in Iraq, King Hussein has enjoyed enormous popularity.

"I'd always prayed to God that future generations would cast a judgment in favour of us and not against us," he said, in his first interview since returning from the US. "But to live through an experience like that and see that kind of warmth and feeling and concern in my lifetime, I never expected, and never believed that I merited it."

Sipping Pepsi, against medical advice – but these days not smoking – King Hussein appeared fit and confident in his palace office. He is, nonetheless, as he stressed with unexpected frankness in a sombre televised address earlier this month, intent on preparing both Jordan and himself for his eventual death. His 45-minute speech at moments sounded like a self-penned obituary.

During the interview he expanded on a central theme of the speech – his desire that Jordan should evolve into a model democratic state in the Middle East, a development he clearly believes he is now sufficiently secure and popular to encourage successfully.

"This area has suffered time and again because of individuals, because people came to power in this region and decided to destroy everything that anyone had done before and tried to create something in their own lifetime," he said.

"Whatever remains of my life has to be dedicated towards consolidating more of the foundations, the grounds for democracy, for human rights, for sharing responsibility and for pluralism," he said.

"I think there is a greater need in this society and in the region for an example to be made, and I believe that Jordan can be an example."

This stance is viewed cynically by Jordan's neighbouring leaders: men such as Saddam Hussein of Iraq, Hafez al-Assad of Syria and King Fahd of Saudi Arabia. They distrust the king's trumpeted commitment to democracy – seeing it as little more than a ploy in a greater preoccupation of entrenching Hashemite authority over a country whose legitimacy they are loath to acknowledge.

Jordan has never fully convinced its neighbours – Arab or Israeli – of its viability as a coherent society. It was carved more or less at random out of desert by the British and King Abdullah, King Hussein's grandfather. Today, 60 per cent of its people are Palestinians who, at some stage since 1948, came across from what is now Israel and the West Bank.

It is certainly true that King Hussein's vision of democracy in Jordan rests on the continued rule of his house, as he refers to his family. In his television speech, he gloried in the exploits of Abdullah, a leader of the Arab revolt against the crumbling Ottoman Empire. He recalled standing at Abdullah's side when Jordan's founding monarch was assassinated at Jerusalem's Al-Aqsa mosque in 1951. He, Hussein, had inherited the Hashemite mantle, and would hand it on to future generations, he told the nation.

During his reign, the king has fended off coup attempts, survived defeat by Israel in 1967 when Jordan lost control of east Jerusalem and the West Bank, defeated near-insurrection by the Palestine Liberation Organisation in 1970, repulsed a simultaneous invasion by Syria and, recently, emerged from the Gulf crisis more popular at home than ever.

Certainly, the king's efforts to mend relations with the US, Egypt and the Gulf states, broken by his pro-Iraqi tilt during the Gulf war, have so far met with limited success. But he believes it is only a matter of time and patient diplomacy before normal ties can resume.

Perhaps more important, peace with Israel is under negotiation and some joint constitutional arrangement with a prospective self-governing Palestinian entity in the West Bank and Gaza Strip may be attainable.

The post-Gulf war efforts of the US, and a new Labour government in Israel, may have brought real peace closer than ever in King Hussein's lifetime. "I believe it is inevitable that something must happen, and must happen soon," he said.

But a host of forces, encompassing right-wing Israeli politicians, Islamic revolutionaries and radical Palestinians, see opportunities to upset the peace process, and indeed, the status quo in Jordan, for their own ends. And Jordanians have looked up to the king once more for leadership.

The king is aware of the dangers. "My concern all along, I have warned time and again, is of Jordan becoming a battleground for forces outside its immediate area. This is where we went haywire in the 1950s and I hope this will never be repeated," he said, referring to the unrest during the early years of his rule which was aided by the Arab nationalist states of Iraq, Syria and Egypt.

King Hussein says he is leading Jordan towards a constitutional monarchy, with greater emphasis than before on the constitution. In the past three years he has done much to oversee this, holding elections to the lower house, forging a new National Charter, and allowing the formation of political parties for the first time in nearly 40 years.

But the king admits that it may take several elections before popular and broadly based political parties emerge. Many Jordanians, indeed, are sceptical that the monarch really envisages full democracy. The trial of two Islamic MPs last week, charged with two accomplices of plotting to overthrow the state, was read by many as a signal that democratisation will be tightly controlled, especially where any threat of Islamic revolution is perceived. Both were found guilty and sentenced to 20 years' hard labour.

However, King Hussein last week granted the two men amnesty, a gesture which at once forestalled any Islamic backlash against the harsh sentences, while firmly underlining his position as Jordan's final arbiter. "I am in a position now, especially after the 40 years that have passed of growing up together, to ensure that the legislature, the executive and the legal system work in this country," he said.

But it is precisely the dominance of the king's authority which raises so acutely the issue of his succession. Jordan's people want to extend democracy. They, and increasingly the Palestinians who have made their home in Jordan, recognise the Hashemite monarchy's role in binding the country. They almost certainly accept the eventual succession of Crown Prince Hassan. But many ask – in private – the question which also preoccupies Jordan's friends and enemies abroad. Will he be up to the task?

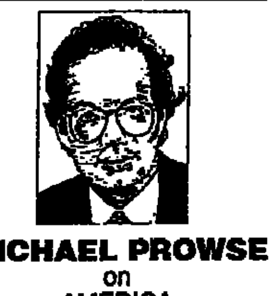
Prince Hassan has proved himself a tireless regent who is intimately involved in the affairs of state and is clearly in the confidence of his elder brother. One senior diplomat in Amman said the issue was not whether he could cope with the cares of office, but whether he may be tempted to engage too deeply in the minutiae of government.

Yet, such is King Hussein's record of steering himself and his country through crises, that many in Jordan doubt anybody could step into his shoes.

PERSONAL FILE

1935 Born in Amman.
1952-53 Educated in the UK, at Harrow and Sandhurst.
1953 Ascended to Jordan's throne on the abdication of his father.
1978 Married Elizabeth Halaby, now Queen Noor, his fourth and present wife, and mother of two sons.

Harvard hopefuls hazy on details



MICHAEL PROWSE
on
AMERICA

It's morning in Cambridge, Massachusetts. After being out of favour for 12 long years, this little town on the Charles River is once again gearing up for a Democratic presidency. Mr Bill Clinton has already called on his old friend, Mr Bob Reich, of Harvard's Kennedy School of Government, to head his economic transition team. Others who helped out during the campaign are anxiously waiting for the call from Little Rock. Down Memorial Drive at the Massachusetts Institute of Technology, even the scientists are getting excited: the technological revolution promised by Mr Al Gore, Mr Clinton's deputy, will surely require a big input from this premier engineering school.

The influence this town will exert is already evident in macroeconomic policy. A year ago, two old Cambridge hands, economists Robert Solow of MIT and Francis Bator of the Kennedy school, argued cogently for a two-tier economic package: an immediate fiscal stimulus that would address the short-run problem of sluggish demand, coupled with tough medium-term measures to reduce the budget deficit and hence encourage savings and investment. The first leg – accelerated infrastructure spending and a temporary investment tax credit – probably now sounds familiar.

Last week Mr Clinton confirmed that he would follow just such a strategy. Nearly everybody in Cambridge seems convinced that this "have your cake and eat it" approach is ideal for the US. Never mind that retail sales and consumer confidence are perking up, you have to get the economy really moving before fiscal austerity can be contemplated.

Provided legislation is passed, mandating future spending cuts and tax increases either at a certain date or, say, when unemployment falls below a certain level, Mr Solow and others reckon the package will appear credible to financial markets. More important, the Cambridge crowd seems strangely certain that the second, unpleasant leg will be implemented.

I found only one dissenter: Mr Greg Mankiw, a young Harvard economist who had the temerity to vote for President George Bush. Mr Mankiw does not believe that a Democratic White House and Congress will have the discipline to reverse a stimulus and then cut deeply into the deficit in the approach to the 1996 election. I hope he is wrong but I share some of his doubts: no Congress, after all, can bind its successors. In fact, some of the US's most famous Keynesian economists have misgivings. Mr Paul Samuelson, the Nobel laureate, told me that Mr Clinton would be good for growth over the next four to six quarters but conceded the "jury is still out" on medium-term deficit reduction.

Harvard and MIT are also trying to formulate Clintonite strategies for tackling microeconomic problems. At a meeting of the MIT World Economy Laboratory last week, three speakers addressed flaws in US education and training. I have to say I was disappointed. They trotted out the usual gloomy statistics, but were clearly only groping toward solutions. Echoing Mr Clinton, one suggested a Germanic apprenticeship programme, adapted to reflect "the realities of US labour markets". But he offered no details. If voters expect Mr Clinton to make rapid progress in complex areas such as industrial training or healthcare, they will be sorely disappointed. Many of the "plans" are just headings on sheets of paper.

Industrial policy is a third area of vigorous debate. Most of the experts I met advocated federal action to promote "strategic" civilian technologies as well as investment in the "information infrastructure" that so interests Mr Gore. But again most were surprisingly hazy about the details. Mr Charles Sabel, an MIT political scientist, was an exception.

He regards traditional industrial policy as "crazy" and sees the main challenge as finding institutional structures that can support the myriad of small and medium-sized companies that form the economy's backbone. Mr Bush set up seven manufacturing technology centres to provide "extension" services to small companies, for example advice on relevant new technology.

Mr Sabel supports Mr Clinton's plan to expand the network of regional technology centres. But he says more is involved than transferring technology. Small companies face a host of problems – from finding appropriate organisational structures to training and product development – that they can no longer tackle in isolation. Yet vehicles for inter-industry co-operation and dialogue, such as trade associations, are moribund. He thinks the industrial future lies in promoting flexible clusters or networks of companies that compete, yet which also benefit from many formal and informal links. This is the kind of industrial structure that seems to account for the continuing dynamism of Silicon Valley.

The bustle following Mr Clinton's victory reminds older Cambridge residents of a November 32 years ago when another young president-elect, John F Kennedy, was tapping the town for talent. But the parallels do not run very deep. The only problem then was a mild cyclical downturn. And in those days economists like Samuelson and Solow were innovators: in 1960 the investment tax credit was a brand new idea. The task today is to get beyond slogans and articulate credible programmes. The Cambridge gurus have only just begun.

Two schools for scandal

IAN DAVIDSON
on
EUROPE

With the eruption of the Matrix Churchill scandal over the illicit supply of machine tools to Iraq in the late 1980s, the British government is effortlessly breaking all records for a run of self-inflicted political disasters. Needless to say, the opposition has seized on the opportunity to give vent to a gale of histrionic indignation; and the government has felt obliged to set up a judicial inquiry under Lord Justice Scott.

Such portentousness is overdone. Political hypocrisy requires an investigation, perhaps; but the investigation is unlikely to reveal much we do not already know. Moreover, the investigation will not be able to pin responsibility on one or more "guilty men"; and it will not prevent similar incidents from recurring. Like the opposition, the government is just playing to the gallery; but the script of the melodrama is all too predictable.

Political scandals in France tend to be more entertaining. This may be because they have more experience in the making of scandals; or because their scandals are more intriguing; or because they sometimes break with tantalising slowness; but whatever the reason, the French usually manage to put on a better, or at least a more varied, show.

Of the numerous French political affairs in recent years, one stands out as a rather close parallel to the Matrix Churchill story. During the Gulf war of the 1980s, the French government had declared a ban on military sales to Iran. But in 1987 it emerged that Luchaire, a French manufacturer of artillery shells, had sold about 500,000 of them to Iran over a four-year period, from 1982 to 1986; moreover, it had got around the export ban with the connivance of key officials in the administration.

The government duly set up a judicial inquiry; but two years later the investigating judge closed it down, without a finding or a conclusion, "for lack of evidence". Since the essential evidence could only have been withheld by the administration itself, this showed brazen chutzpah on the part of the government.

The more spectacular Greenpeace affair was handled rather differently. In 1986 French secret agents sank the ship Rainbow Warrior in harbour in New Zealand, to prevent it from intruding on the French nuclear test site in the Pacific; the explosion inadvertently killed a Portuguese photographer on board.

Two agents were offered as scapegoats to New Zealand, but no one in the government took political responsibility. Only after a long and unseemly struggle behind the scenes was Mr Charles Hernu, the defence minister, compelled to resign. Mr Bernard Tricot, a grand panjandrum of the French establishment, was wheeled out of retirement to investigate; but his report found that no one was to blame. As Libération said at the time: "Tricot washes whiter."

The idea of ministerial irresponsibility was implicit in the government's handling of the Luchaire scandal; but in the case of the Habash affair, it was raised to the level of an absolute principle. In January of this year, the radical Palestinian leader, Mr Georges Habash, was admitted to hospital in Paris for treatment. President François Mitterrand ill-advisedly blew this up into a scandalous error of policy, on account of Habash's one-time links with terrorism. But no minister could be found to carry the can; so five top-ranking civil servants were summarily fired, including Mr François Scheer, the head of the foreign ministry.

It turned out, however, that this tactic of scapegoatism was no more than a piece of theatre. Even as he was firing Mr Scheer, President Mitterrand publicly praised him as a most valuable public servant; and within six months he had been found another top job, as ambassador to the European Community. That is the kind of dénouement which calls for a spectacular spirit of insolence towards the voters.

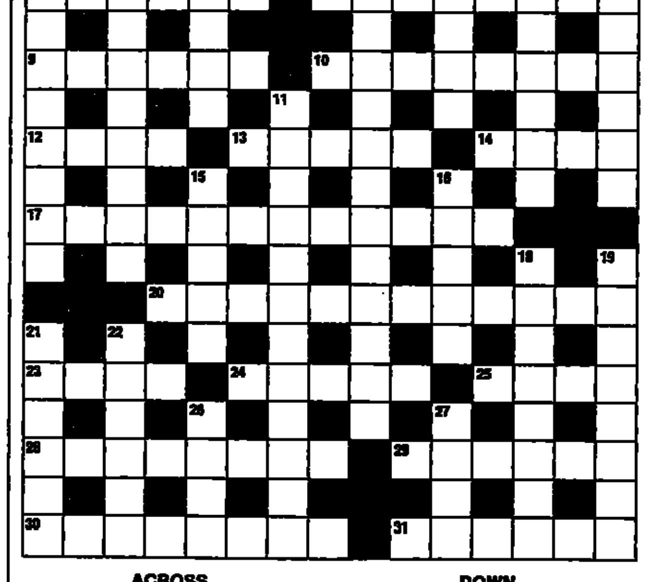
One reason for the French practice of ministerial irresponsibility is the power of the presidency. If the president is the ultimate source of power and political legitimacy, it follows that his ministers are little more than his executants. He may fire them; they do not resign on principle.

So it is all the more striking that President Mitterrand has just restored the principle of ministerial responsibility, in the most sensational way possible. In 1985, the official French blood transfusion service supplied up to 1,500 haemophiliacs with blood which it knew to be infected with Aids or hepatitis. Ten days ago, the head of the service was sent to prison for four years. But last week Mr Mitterrand electrified France by calling, in effect, for parliamentary impeachment of the ministers responsible. It seems likely the list will include Mr Laurent Fabius, who was prime minister at the time; but since he has long been regarded as Mr Mitterrand's chosen heir, such a reversal of policy is dramatic indeed.

The explanation for the apparent reversal is not far to seek. The Greenpeace affair happened far away to other people; selling arms to the enemy as part of the export drive can be kissed off as part of the world of *realpolitik*; and the Habash scandal was not really a scandal at all. But the contaminated blood has caused, or will cause, hundreds of deaths in France; that is a real scandal, not just one of the games governments play.

CROSSWORD

No.8,004 Set by QUARK



ACROSS

1 Lands in the forest at Epping (6)
4 Loud rebellions sound (8)
9 Unusual tarn in old English setting, flowery (6)
10 Mechanism for firing could be car worker's concern (8)
12 Cook one taken from the main (4)
13 Express disapproval at the incomplete enclosure (5)
14 Damage cliff (4)
17 Superior judge to give too high a rating (12)
20 There's severe limitation in, say, plain cover (12)
23 Ball in order? It should be well blown (4)
24 Severely question cook (5)
25 Some numerals operated on in addition (4)
28 Relevant matter (8)
29 English choir leader born surprisingly in Wales (6)
30 Have fun in playground: all return more dextrous? (8)
31 Cut pay? One's leaving, a bit rough (6)

DOWN

1 School produce style for head (4,4)
2 Offered deed, rent unsettled (8)
3 Carry small child on last bit of bike (4)
5 Walk may let one in the air reasonably (12)
6 The holiday's the least possible amount (4)
7 Centre of grounds used up for show (6)
8 Extra source of radiation to remove moisture (6)
11 Jonson was the first one unfolding a tale o'repute (4,8)
15 The match in Hove stadium (5)
16 Lost painting turning up in fringes of Surrey (5)
18 Head fitter (8)
19 One ratty, upset, lawyer (8)
21 Being from outer space? (6)
22 Come into contact with St. Joel, possibly? (6)
26 The plant is unfinished in N. France (4)
27 Principal record collection half stolen (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday November 28.

هكذا مع الأصل